



# **U.S. Department of State**

## **FY 2000 Country Commercial Guide: Turkmenistan**

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## **CHAPTER I: EXECUTIVE SUMMARY**

This Country Commercial Guide (CCG) presents a comprehensive look at Turkmenistan's commercial environment, using economic, political, and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. embassies through the combined efforts of several U.S. Government agencies.

Turkmenistan is a new, constantly changing market in which the investor or businessman must be flexible, persistent, and patient in order to succeed. It is a country of important, untapped natural resources, where the opportunities for investment and business are varied and numerous. But, the risks inherent in doing business in the former Soviet Union require that potential investors and businessmen proceed cautiously.

The Government of Turkmenistan (GOTX) has not yet implemented a program of far-reaching economic reform, although it has taken limited steps in some areas. While small-scale trading and service operations have largely been privatized, the government is still grappling with how to privatize medium- and large-scale enterprises. The government continues to play an interventionist role in the economy, and the problems inherent in a command economy continue to frustrate western companies. All decisions are made at the highest levels of government. Political considerations exert and influence on economic decisions. While some of the regulatory and legal foundations of a market economy have been developed, their implementation is flawed and inconsistent. Business infrastructure and know-how are improving, but still lag behind that of many other countries of the former Soviet Union.

Throughout the Soviet period, Turkmenistan's economy was based on exploitation of its natural gas, oil, and cotton. Today, the GOTX is focusing its attention on expanding export markets for its natural resources and increasing the value-added of its exports. The GOTX has placed a priority on investment in the oil and gas and textile industries, transportation and communication networks, and processing facilities. In addition, the GOTX has invested in infrastructure improvements designed to attract foreign businesses to invest in Turkmenistan.

Country Commercial Guides are available for U.S. exporters from the National Trade Data Bank's CD-ROM or via the Internet. Please contact STAT-USA at 1-800-STAT-USA for more information. Country Commercial Guides can be accessed via the World Wide Web at: [HTTP://WWW.STAT-USA.GOV](http://WWW.STAT-USA.GOV), [HTTP://WWW.State.Gov/](http://WWW.State.Gov/), and [HTTP://WWW.mac.doc.gov](http://WWW.mac.doc.gov). They can also be ordered in hard copy or on diskette from the National Technical Information Service (NTIS) at 1-800-553-NTIS. U.S. exporters seeking general export information should contact the U.S. Department of Commerce, Trade Information Center by phone at 1-800-USA-TRAD(E) or by fax at (202)482-4473.

## **CHAPTER II: ECONOMIC TRENDS AND OUTLOOK**

Turkmenistan gained its independence in October 1991 following the break up of the Soviet Union. A colonial provider of raw materials (primarily cotton, oil, and natural gas) during the Soviet period, the GOTX is now emphasizing development of its textile and food processing industries, as well as further development of its energy and cotton sectors and improvements in the country's transportation and communications infrastructure. The GOTX is also pursuing a policy of national self-sufficiency in wheat production. Accordingly, oil and gas, agriculture, textile and food processing are likely to remain the principal growth sectors over the next few years.

For the foreseeable future, cotton, natural gas, and oil will continue to drive the Turkmen economy. The degree of success of efforts to restore declining cotton and gas exports to (at least) Soviet-era levels will largely determine whether Turkmenistan is able to reverse a slide in its Gross Domestic Product. Agricultural privatization and improved agricultural techniques might bring some increase in cotton production and exports, but a substantial increase in gas exports must await both the full resolution of payment disputes on gas shipped through the Russian pipeline system and construction of major, alternative export pipelines.

In 1996 and the first half of 1997, the GOTX voluntarily initiated a number of IMF-recommended economic reforms. (Turkmenistan has, as of mid-1999, no IMF stand-by agreement.) These included liberalizing the foreign exchange regime and controlling inflation by maintaining low fiscal deficits and restraining the growth of easy credit to state enterprises. As a result, from 1996 till October 1998, Turkmenistan had a stable exchange rate, while the annualized rate of inflation fell from over 1,400% to 20%. In December 1996, President Niyazov announced an agricultural reform program entailing the gradual transfer of state lands to individual farmers. March 1997 witnessed passage of a new energy law designed to attract increased foreign investment in Turkmenistan's oil and gas sectors. In April 1997, the President issued a series of decrees regarding privatization of industrial enterprises and unfinished construction projects.

A sharp drop in export earnings caused by the March 1997 cessation of exports through Russia's pipeline system began to exert increasing pressure on Turkmenistan's current account and international debt position. In the fall of 1998, in light of a continuing shortage of hard currency and the rapid depreciation of the manat on the parallel market, the Government introduced new regulations restricting the export of hard currency and access to converting local currency, the manat, into foreign exchange. There has been little progress on economic reform over the past year. Full and consistent implementation of economic reforms would significantly improve the trade and investment climate. In the meantime, the GOTX dominates the economy and the President and a few close advisors exercise firm control over economic decision making. Moreover, the absence of a

fully developed commercial code inhibits trade and investment. The numerous presidential decrees, legislative acts, and administrative rules regulating commercial activity are often contradictory and changes are often applied retroactively. The Civil Code drafted by the Turkmen Mejlis with EC expert participation was adopted in 1998 and went into effect in March 1999. The Civil Code is one of the first steps to legalize and set the rules governing private ownership in Turkmenistan. How effectively it will be implemented is not yet clear.

According to official statistics, Turkmenistan's real GDP amounted to 13.2 trillion manat or USD 2.5 billion in 1998 (the official exchange rate is fixed at 5,200 manat per US dollar). Gas production constituted only 1 percent of GDP in 1998 against 8 percent in 1997. Overall industrial production excluding gas production made up 29 percent of GDP against 33 percent in 1997. This included oil, electrical power, textile, chemical, and building materials industries. Agriculture, construction and services made up 25, 12, and 29 percent respectively against 20, 11, and 30 percent in 1997. In 1998 Turkmenistan produced 13,284 million cubic meters of gas (against 17,322 million cm in 1997); 6,280 thousand tons of oil (4,481 thousand tons in 1997); 707,000 tons of cotton (630,000 tons in 1997); 1,240 thousand tons of wheat (655,000 tons in 1997); 9,280 million kilowatt/hours (9,403 million kw/h); 43 million square meters of cotton fabric (31 million sm); and 314,000 square meters of carpet (322,000 sm).

Average wages have varied between 250,000 and 300,000 manats per month or USD 47 and USD 57 since the last official increase of wages in the government sector in March 1998. The minimum wage and pension were set at 200,000 and 100,000 manats respectively or USD 38 and 19. However, the depreciation of the manat on the parallel market has led to an increase in the price of imported consumer goods, significantly reducing the purchasing power of fixed wages and pensions.

Turkmenistan's external debt more than doubled from USD 0.7 billion to USD 1.4 billion in 1997 and increased to 1.7 billion in 1998. In 1998 Turkmenistan made trade transactions with 75 countries; due to the decrease of natural gas exports, the highest portion of import/export transactions was made with non-CIS countries. The overall trade turnover consisted of USD 1,574 million or 26 percent less than in 1997. The trade deficit in 1998 was USD 386.8 million or around 15 percent of GDP.

Most of Turkmenistan's basic infrastructure -- especially roads, urban and intercity transport, telecommunications, port facilities, and water and electric power distribution systems -- dates from the Soviet period and is in need of repair. The GOTX is working with international donors and foreign investors on improvements in many of the areas listed above, but much remains to be done. On the positive side, the capital city of Ashgabat features a modern international airport and world-class hotel and conference facilities.

Most of Turkmenistan's industries and infrastructure use Soviet type equipment and technology. The presence of foreign firms has helped to accelerate the development of information technology. While computer systems have become more popular, their use is not yet widespread, especially outside Ashgabat. It is not expected that Y2K problems will cause widespread difficulties in Turkmenistan. For those sectors where there may be some risk, the Ministry of Communications has created a new Internet site with relevant information. A hot line to consult on technical details will be established soon.

### **Chapter III: Political Environment**

Turkmenistan is a single party state governed by an authoritarian President. There is no Vice President or Prime Minister. A group of officials each holding the title of Deputy Chairman of the Cabinet of Ministers, each with responsibilities in a defined area, constitutes the next level of executive authority. According to the Constitution, the Chairman of the Mejlis (Parliament) assumes the presidency upon the death or permanent incapacitation of the President and then calls elections. The Halk Maslahaty (People's Council) is the highest representative body and is responsible for adopting constitutional amendments, treaties, and referenda. The Halk Maslahaty is chaired by the President and made up of Cabinet Ministers; regional, district, and city Hakims (governors and mayors); Parliamentary Deputies; People's Representatives, who are elected by one in each etrap (district); the Chairmen of the Supreme Court and the Economic Court; and the General Prosecutor. The Mejlis is the supreme legislative body, elected for a five-year term. However, its authority is limited; its decisions generally reflect the policies of the President.

President Saparmurad Niyazov, who has adopted the honorific surname "Turkmenbashi" ("head of the Turkmen"), is the former First Secretary of the Turkmen Communist Party. He was elected President in 1992 in a single-candidate election for a term of five years; a 1994 referendum resulted in the extension of his initial term to 2002.

The GOTX conducted single-candidate elections for its 50-member, one-house parliament in December 1994. The next parliamentary election is scheduled for December 12, 1999.

The National Democratic Party, the successor to the Communist Party, is currently the country's only political party. It is led by President Niyazov.

### **CHAPTER IV: MARKETING U.S. PRODUCTS AND SERVICES**

Doing business in Turkmenistan requires patience, persistence and personal contacts with officials at a high level in the Government. The GOTX wishes to encourage foreign investment and business, but the current legal and regulatory regimes do not conform to international business standards. The commercial code is not yet adopted; most local officials are unfamiliar with western business practices and internationally accepted norms; and business is often a matter of personal influence and politics.

Many marketing methods employed in the West do not work well here. Successful companies in Turkmenistan have established personal contact with GOTX officials either through representative offices or repeated visits. Smaller or lesser-known companies must establish their bona fides before being accepted. Large-scale contracts are signed at the presidential level and often require the travel to Ashgabat of the company's president or CEO to close the deal. Follow-up visits are also critical. Communication through fax and telephone are helpful but are no substitute for personal contact. There are locally-based distributors representing U.S. companies, but most are foreign companies themselves (usually Turkish) that have established offices in Ashgabat since Turkmenistan's independence. A list of potential distributors is available from the Commercial Section at the Embassy.

Turkmenistan is not familiar with the concept of franchising, therefore, it is not yet practiced here.

Almost all companies investing in Turkmenistan form joint ventures. Since there is limited privatization, joint ventures generally include government partners. There is no standard form for a joint venture agreement (except in the oil and gas sector); each agreement is negotiated individually, approved by the Cabinet of Ministers, and finalized by presidential decree.

### **Distribution and Sales Channels**

Turkmenistan inherited a Soviet-style distribution system with a centralized distribution network, state orders, and state controlled prices. Gradually, the GOTX has liberalized prices for consumer goods, poor quality locally produced flour is sold at fixed, rationed, subsidized prices through state stores. In August 1994, the State Commodity and Raw Materials Exchange (SCRME) was established to regulate foreign and domestic trading and partially insulate the internal market from foreign competition during the country's gradual transition to a free market.

For this purpose, the presidential decree establishing the SCRME required that foreign trade transactions made on the basis of clearing agreements, trade credits, barter contracts, joint venture capital import/export, charitable activity, and other transactions be reviewed and registered by the SCRME. The process of registration takes, on average, one week, although in some cases the period is longer. After the approval of a contract, a fee for contract registration of 0.2% of the value of import or export transaction must be paid by both the seller and the buyer (50% of the sum goes to the general government budget and 50% stays at the SCRME). The following are exempt from payments of contract registration fees:

- enterprises and organizations importing grain, children's food, food products to be sold at regulated state prices, and medical equipment and medicine; and
- goods imported on the basis of contracts funded by the state budget.

Barter contracts require the approval of the Cabinet of Ministers. According to Article 47 of the Law on Hydrocarbon Resources, all materials and equipment used in petroleum operations are exempt from registration with the SCRME and exempt from customs duties.

Registration of trade contracts is not automatic. If the SCRME finds that the articles of a contract are contradictory, or documentation is not complete, or prices set up in the contract can negatively affect a consumer market, then the contract will not be registered. Prices stated in the contract are subject to scrutiny by the SCRME and are compared with world market prices. If a contract requires an advance payment by a Turkmen partner, then the SCRME will require a guarantee issued by a solid foreign bank. Otherwise, registration of the contract can be rejected.

Besides registering contracts, the SCRME conducts auctions and trade transactions for both consumer goods and raw materials. The SCRME also has the authority to auction securities although a true securities market does not yet exist in Turkmenistan.

The SCRME itself does not function as a trader or an intermediary at auctions. It plays no role in the distribution of consumer goods that are

produced locally for domestic consumption. These goods are distributed through a state wholesale network or direct transactions.

The Trade and Foreign Economic Relations Ministry determines and the SCRME announces restrictions on export from Turkmenistan. Usually, restrictions apply to goods that are in short supply in Turkmenistan.

Turkmen Customs maintains a list of goods that cannot be imported into Turkmenistan, including handmade wool rugs of the Koshma type, yurtas, handmade carpets, and astrakhan wool.

### **Information on Typical Product Pricing Structures**

The Turkmen market is small, and economic and natural factors affect the pricing of goods. First, transportation costs can double, even triple the price of goods imported. Also, the small population size (5.0 million people, according to Government statistics) and limited income (the average salary in the state sector is \$16 to \$40 per month) also limits marketing possibilities. Finally, excise taxes levied on some imported products and goods and a value added tax of 20% affect prices. Due to an average monthly inflation rate of 3% and a fluctuating black market foreign exchange rate (in July 1999 it ranged between 13,000 manats to 16,000 manats per U.S. dollar), prices are steadily rising.

### **Use of Agents and Distributors, Finding a Partner**

A U.S. firm looking for a local partner will encounter three options: Turkmen state enterprises; small Turkmen private firms, largely involved in trading, and Turkish firms that have established trade, construction, and production businesses in Turkmenistan. So far, Turkish firms have been instrumental in promoting American and European companies' businesses in the Turkmen market, distributing goods and services, providing construction services for trade contracts involving turn-key sale of equipment, running representative offices, and other forms of business activities. In addition, Iranian, Japanese and some European distributors have established wholesale and retail enterprises in Turkmenistan (especially in Ashgabat), introducing to the local market a wider range of goods not previously available to consumers. However, given the limited number of these distributors, prices are relatively high. Very few U.S. consumer goods are currently available on the local market, and many that do appear are trans-shipped from Dubai. The low buying power of the population and the import substitution policy in agriculture pursued by the government serve to limit the number of foreign distributors in Turkmenistan. To promote U.S. exports to Turkmenistan, U.S. companies should be prepared to take a "hands on" approach to locating potential distributors and training them in effective sales techniques.

The Commercial Section of the U.S. Embassy in Ashgabat provides a number of useful programs to help develop contacts. They include:

- Gold Key Service, which arranges meetings for a U.S. company representative's visit to Turkmenistan;
- BISNIS "Search for Partners" which provides contact information on Turkmen companies looking for a U.S. partner; and
- BISNIS "Trade Opportunities", which helps establish contacts with Turkmen companies seeking to buy U.S. products.



In all transactions, U.S. companies must carefully investigate potential local partners and exercise due diligence when doing business with local firms.

### **Franchising**

So far, no franchises have been sold in Turkmenistan. However, since many Turkmen small- and medium-size enterprises do not have sufficient capital to establish solid businesses, the franchising concept in such areas as fast food, dry cleaning/laundry services, and hotels and motels might become accepted.

### **Direct Marketing**

There are very few foreign companies that practice direct marketing in Turkmenistan. Though it is a consumer-tailored approach to market, door-to-door, mailing, and other techniques of direct marketing have not become a popular practice among the population. One reason is extremely low purchasing power of consumers. In addition, direct marketing is not part of the local tradition.

### **Joint Ventures and Licensing**

The GOTX encourages the formation of joint ventures with Turkmen state and private companies when a long-term foreign investment project or commercial transaction is negotiated. There have been about 278 joint ventures registered in Turkmenistan, most of which (more than 170) are located in Ashgabat. Usually, joint ventures are organized into a limited liability partnership, complete or mixed company, or joint stock company.

There are licensing requirements for a number of activities in Turkmenistan:

- oil and gas exploration and production are licensed by the Competent Body on Hydrocarbon Resources Development;
- gambling, slot machines, and tourist businesses are licensed by the State Tourist Corporation, "Turkmensiyakhat";
- tourism services are licensed by Turkmeniyakhat;
- culture and art businesses are licensed by the Ministry of Culture;
- cinema and video-cassette distribution is licensed by the State Movie and Video Company;
- publishing and sales of publishing products are licensed by the State Company "Metbugat" with Cabinet of Ministers and the Interior Ministry approval;
- wholesale and retail trade is licensed by the Ministry of Trade and Foreign Economic Relations;
- production and processing of meat and dairy products, animal fat and butter, beer and beverages and confectionery products are licensed by the State Association of Food Production;
- seed production is licensed by the Ministry of Agriculture;
- sheep, goat, camel wool, astrakhan wool and leather production and processing are licensed by the State Turkmenmally Association of Cattlebreeding Joint Stock Partnerships;
- sale of medical and pharmaceutical products and services is licensed by the Ministry of Health Care and Medical Industry;
- fish farming is licensed by the Administration of Fish Preservation of the State Fish Committee;

- importation of alcohol is licensed by the Ministry of Trade and Foreign Economic Relations;
- banking activity is licensed by the Central Bank of Turkmenistan;
- legal advising activity is licensed by the Ministry of Justice;
- insurance, reinsurance, broker activity, and operations with bonds are licensed by the Ministry of Economics and Finance;
- educational activities are licensed by the Ministry of Education;
- cargo and passenger transportation services are licensed by the Ministry of Transport;
- auditing activities are licensed by the Ministry of Economics and Finance;
- sea transportation services for cargo and passenger deliveries at the Caspian sea are licensed by the State Sea Steamship company.

Licensing requirements vary from one sector to another. However, there are a number of common documents must be submitted: foundation documents, certificate of registration, standard application, and license fee. Additional documents are required to demonstrate that the applicant has appropriate qualification to perform the proposed activity. The time to obtain a license should not exceed 30 days, according to decrees. The term of the license is usually three years. Most licenses may be obtained from either central or regional authorities. For certain licenses, a permit from the Sanitary and Epidemiological Inspectorate, Fire Inspectorate, and/or State Standard Inspectorate is required. Foreign investors are required to submit the same documents as domestic investors in order to obtain licenses.

### **Selling Factors and Techniques**

The Turkmen population has some national peculiarities related to food products, women's dresses, home appliances, and other factors related to climatic conditions and cultural traditions. For instance, preserved or semi-ready food products are not very popular in Turkmenistan because the majority of the population have small farms and produce fresh natural products. Second-hand clothing is also not popular and will have a long shelf life in Turkmenistan.

Quality products do matter in Turkmenistan but most consumers cannot afford to pay high prices. There is significant competition to U.S. goods from Turkish and European products that enjoy a geographic advantage.

### **Steps to Establishing an Office**

A new amendment to the Law concerning Profit Tax outlines the definition of a representative office of a foreign company doing business in Turkmenistan whose activities will be subject to profit tax payment. The definition of a representative office includes "(1) a branch office, department, administrative office, bureau, agency, factory, production shop; (2) mines, oil and gas wells and/or other stationary and movable facilities used for natural resource development and extraction; and (3) a construction site, or mounting and assembling shop that operates for more than six months." The amendment states that the following activities of foreign companies in Turkmenistan will not be considered "a representative office subject to profit tax payment" including: (1) demonstration and storage of goods belonging to a foreign company; (2) storage of goods and items that belong to a foreign entity with the purpose of goods processing by another entity for their further exporting them from Turkmenistan; (3) purchase of goods

and products; and (4) collection of information for a foreign entity and other kinds of assistance necessary for signing a contract.

To open a representative office in Ashgabat, a foreign company should first obtain registration from the State Agency for Foreign Investment.

A foreign company opening a representative office must register with the Registration Department of the State Agency for Foreign Investment (SAFI). The following documents are required for registration of a foreign company representative office:

1. An application with the description of the goal of the company's activity in Turkmenistan, background information about the firm, and a short survey of its latest activity.
2. Written confirmation about the availability of a legal address (lease or other document).
3. Statement about the representative office approved by a company's CEO (2 copies in Russian and Turkmen languages).
4. Power of attorney.
5. Background information about the head of the representative office in Turkmenistan with a photograph (3x4 size).
6. A copy of the charter of the foreign firm, certified by a consulate of Turkmenistan abroad or the Foreign Ministry of Turkmenistan.
7. Official registration document of the foreign investor from the investor's residence (an original). This document must be notarized.
8. A document from a bank in the country where the foreign investor resides (an original) giving the financial status of the foreign investor.

All documents must be originals that are stamped and sealed, translated into Russian and Turkmen, and submitted in the language of the country where the foreign investor resides. (No faxes are accepted.) Copies of translations must be certified by the agency that makes the translation. When submitting the documents to the Registration Department, copies of all the documents must be certified. The foreign investor pays \$3,000 for registration of its representative office in Turkmenistan.

All the above mentioned documents are required for registration of a foreign company branch office with the Registration Department. The only exception is submission of a business plan for enterprises involved in production, processing and/or construction activities.

For more information, contact:

Registration Department  
State Agency for Foreign Investment  
53 Azadi Street, Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 39-62-07, Fax: (993) (12) 35-04-11, 12

Foreign investors interested in investing in Turkmenistan by establishing a joint venture (which to this point is the method used by most foreign companies), must also register their particular investment projects with SAFI. To evaluate a foreign investment project, SAFI requires the following information:

- General information about the project;
- A marketing analysis;
- Raw materials supply analysis;
- Location of the facility and the environmental effect;

- Technology to be used;
- Management plan;
- Labor resources to be used;
- Project implementation schedule; and
- Financial analysis and investment appraisal.

For more information, contact:

Investment Project Appraisal and Registration Department  
 State Agency for Foreign Investment  
 53, Azadi Street, Ashgabat, Turkmenistan 744000  
 Tel/Fax: (993) (12) 35-04-12, 35-02-31, 35-04-15

To register a joint venture, a foreign company must provide the following documents:

1. An application with the description of the goal of the company's activity in Turkmenistan, background information about the firm and a short survey of its latest activity.
2. Written confirmation about the availability of a legal address (lease or other document).
3. A charter of the newly created enterprise approved by the Board of Directors (two copies in Russian and Turkmen).
4. Two copies of an establishment agreement approved by protocol of the Board of Directors.
5. Business plan approved by the Board of Directors for those enterprises that will be involved in production, processing and/or construction activities.
6. Power of attorney.
7. Short background information about the head of the enterprise (two photographs must be attached).
8. A copy of the charter of the foreign firm notarized by a consulate of Turkmenistan abroad or the Ministry of Foreign Affairs of Turkmenistan.
9. Official registration document of the foreign investor from the investor's residence (an original). This document must be notarized by a consulate of Turkmenistan abroad or the Ministry of Foreign Affairs of Turkmenistan.
10. Original banking documents certifying the solvency of the firm.

All the documents are submitted in the language of the country of the foreign investor's residence. They must be originals, stamped and sealed (no faxes are accepted), translated into Turkmen and Russian and certified by an agency that is recognized as producing accurate translations (for example, the Turkmenistan Chamber of Commerce). The charge is usually \$5 per page to translate and certify the translation is accurate.

SAFI charges registration fees that vary depending on the type of activity. A company that produces raw materials, consumer goods, equipment and so on must pay \$2,000. A company that is not engaged in production but in services and other activities must pay \$3,000. To extend the term of registration, the fee is \$1,500 (the original registration is valid for two years and then must be renewed).

SAFI may reject a company's registration on the grounds of non-feasibility of the investment project to be implemented in Turkmenistan.

A company may rent space in:

- business centers or hotels, or
- a building that belongs to a ministry, state organization or state/private enterprise.

Current rules prohibit renting space in private apartments, state-owned apartments and houses, and unfinished construction sites.

After a company has chosen office space, it must submit an application to the local Khakimlik (mayor's office) for approval for the legal address of the representative office. The application must be accompanied by the following documents:

- short description of the company's activity and the goals for opening a representative office in Turkmenistan;
- a lease (rental lease or letter of guarantee);
- proof of power of attorney for the head of the representative office; and
- short background information about the head of the office (a photograph must be attached).

A fee for registration is charged by the Khakimlik. For more information on opening presence in Ashgabat, contact:

Department of Foreign Economic Relations  
Khakimlik of Ashgabat  
22 Neutral Turkmenistan Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 39-04-24, Fax: (993) (12) 35-67-00

Foreign entities that have registered their representative offices in Ashgabat and do business in Turkmenistan must quarterly transfer 0.5% of their balance profit into the State Fund for development of the city of Ashgabat.

### **Advertising and Trade Promotion**

Commercial advertising in Turkmenistan is controlled by the Government. Mass media offers very few options for advertising: two or three newspapers and TV and radio broadcasting. The mayors (khakims) of the cities and towns issue permission for billboards, neon signs and other outdoor advertisements. A new law concerning health protection is currently being developed by the Ministry of Healthcare and Medical Industry. One of the articles of this law will address the issues regarding the banning use of alcohol and tobacco advertisements. The draft law will be submitted to the Turkmen Parliament later this year for approval. However, local authorities are restricting the placement of alcohol and tobacco advertisements outdoors in response to growing public opinion against advertising these products. Bars and casinos are also not allowed to advertise. Foreign firms do not need permission from the Government to advertise except for companies involved in educational or medical activities; they require permission from the Ministry of Education or the Ministry of Healthcare and Medical Industry.

Radio and Television Advertising. The National Television and Radio Company (NTRC) provides advertising services for both resident and non-resident companies doing business in Turkmenistan and accepts completed commercials as well as offering its own production facilities. There are two Turkmen channels, TMT and TMT-1, and one Russian channel, ORT, where commercials are placed.

The NTRC charges foreign companies airing TV commercials on TMT and TMT-1 channels 1,350,000 manat per minute. The price includes a 20% value added tax and a 5% advertisement tax (the overall tax is 25%). To air commercials on the ORT channel, NTRC charges foreign companies 1,480,000 manat per minute including a 25% tax. All charges are made only in the national currency. Discounts are provided depending on a length of a commercial. (The July 1999 official foreign exchange rate is 5,200 manat per one U.S. dollar.)

The charge for making TV commercials by the NTRC varies depending on the complexity of the production process and is different for resident and non-resident foreign companies. The prices may also be negotiated and discounts are provided.

The charge for airing radio advertisements is 260,000 manat per minute for foreign companies. A 25% tax is included in the price. Producing a radio advertisement it costs 4,000 manat per word plus a 25% tax for foreign companies.

Advertisements can be placed from 9 a.m. till 6 p.m. (with a lunch break from 1 p.m. till 2 p.m.) Monday through Friday. To place an advertisement, contact:

TMT Reklama Enterprise  
3 Molla Nepes Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-15-15 or 39-46-94, or 39-86-62  
Tel/Fax: (993) (12) 39-47-22

Print Advertising. The two newspapers with the highest circulation in the country are "Neutral Turkmenistan" in Russian and "Turkmenistan" in Turkmen. Each distributes around 40,000 copies a day. The advertising office "Turkmenpressservice" places advertisements in both newspapers. The newspapers sell advertising space payable in manat .

U.S. companies resident in Turkmenistan may place advertisements in these newspapers at the following prices: 2,500,000 manat including 20% value added tax for one-half of a page, 1,300,000 manat for one-fourth of a page, 700,000 manat for one-eighth of a page, and 400,000 manat for one-sixteenth of a page.

Advertisements can be placed during working hours from 10 a.m. till 5 p.m., Monday through Friday, and on Saturday from 11 a.m. till 2 p.m. To place an advertisement, contact:

Mr. Konstantin Zavistovski, Advertisement Manager (speaks Russian)  
Turkmenpressservice Office  
2nd Floor, Room 234  
20 Atabayev Street  
Ashgabat, Turkmenistan 744000  
Tel/Fax: (993) (12) 35-40-10  
Tel: (993) (12) 46-84-55

The Akasya Ltd. firm, a private company, also provides a range of advertising services in Turkmenistan. It publishes ads in its own "Biznes

Reklama" newspaper in the Turkmen language, arranges TV advertising and produces billboards. The firm may be contacted at the following address:

Mr. Warol Bekdash, Director (speaks Turkish and English)  
Akasya Ltd.  
54-A Makhtumkuli Street  
Ashgabat, Turkmenistan 744000  
Tel/Fax: (993) (12) 47-18-64

The Vestnik advertising newspaper offers advertising services in Turkmen and Russian languages at 1,800 - 2,400 manat per square centimeter plus a 25% tax and can be reached at:

Mrs. Regana Balaban, Chief Editor  
Vestnik Newspaper  
First Floor, Room 39  
20 Atabaev Street  
Ashgabat, Turkmenistan 744000  
Tel/Fax: 46-84-70, 46-84-43

### **Pricing Products**

Since 1991, the GOTX has been in the process of liberalizing prices for food products and services. Prices for almost all food products have been freed with the exception of flour available at subsidized prices and sold only to low-income families, families with children under sixteen, students and pensioners. Locally produced coarse-ground salt is available for free.

The GOTX continues to subsidize prices for utility services provided to the Turkmen population including gas, electricity, heating and water. Prices for the utility services provided to commercial entities are higher than for the population. Public transportation and telecommunications services are also heavily subsidized. To provide access to certain products and services by Turkmen citizens and entities and to protect them from foreign competition, the GOTX has been maintaining dual prices for these products and services reflecting a difference in prices set up for local residents and foreigners. Such products and services include air, rail, and inter-city bus transportation, telecommunications, admission fees to museums and exhibitions, gasoline station services, and building materials and fertilizers produced locally. Foreigners are charged in dollars while local residents pay state-subsidized prices.

Prices for goods sold by state enterprises are initially set by sectoral ministries and later approved by the SCRME through contract registration. About 80% of production in Turkmenistan comes from state enterprises.

According to the Law of Turkmenistan on Enterprises, an enterprise shall sell its products, services and production wastes at prices established independently or on a contract basis, or, if stipulated by Turkmen legislation, in accordance with state prices. State regulation of prices is permitted for those products and services that dominate the market. The list of such products and services is determined by the Government. At the same time, the Law of Turkmenistan concerning investment activities sets forth principles of pricing. It provides that the value of products and/or services produced during investment activity is defined on the basis of contract prices and/or prices negotiated through trade and/or auctions. The value of construction services that are financed by the Turkmenistan's state budget is defined on the basis of estimated and indexation.

## **Sales Service and Customer Support**

Upon independence after the breakup of the a former Soviet Union, Turkmenistan inherited a system of very poor sales services provided along with poor quality goods and products at relatively low prices. The first foreign trading companies that entered the Turkmen market in 1991 were pioneers who introduced the practice of competing via quality sales services and prices. Foreign trading companies, primarily Turkish, have been teaching local labor the ways of western standard sales services.

There are no widespread customer support practices used in Turkmenistan. Foreign trading companies and their local distributors provide such customer support services as one-year product guarantees, goods deliveries, and custom-tailored orders for goods and services.

## **Selling to the Government**

Turkmenistan's economy remains largely government owned and controlled. In some sectors, such as oil and gas, electrical energy, and telecommunications, the Government plans to play a controlling role for the foreseeable future. As the privatization process advances, private companies will make up more of the market, but in the short term, most procurement will be done by the GOTX.

So far, most U.S. business activity in Turkmenistan has centered on development of the energy sector and on the sale of U.S. goods to the Government. According to the State Institute of Statistics and Forecasting, in 1998, the export of Turkmen goods to the U.S. was valued at USD 873,600 and the import of U.S. goods into Turkmenistan at USD 73 million. The U.S. exports such goods as food, agricultural equipment, iron products, vehicles, electronic equipment and spare parts, aircraft, helicopters and spare parts, medicine and medical equipment, chemical products, building materials, furniture and other goods to Turkmenistan. So far, direct U.S. investment in the country has been limited. However, it is expected that U.S. investment in the oil and gas sector will increase in the near future.

In April 1996, the State Agency for Foreign Investment (SAFI) was established to perform multiple functions related to foreign investment projects as well as large trade credit transactions. SAFI determines the priority given to projects involving foreign traders and investors, evaluates business proposals, reports to the President about the basic aspects of projects under consideration to obtain his approval, arranges international tenders, registers foreign traders and investors, and monitors the implementation of projects. In addition, four State Funds for Development (petroleum and mineral resources; agriculture; transportation and telecommunications; health care and medical industry; and education) have been created to allocate foreign exchange earned by these industries to priority investment projects. To ensure sufficient funding for a particular investment project, SAFI and the Funds cooperate in regulating financial commitments made by Turkmen partners involved in foreign investment projects. A Presidential decree ordered that all trade and investment projects that need foreign credits must receive SAFI's approval before applying for financial support.

Import and export transactions carried out within investment projects and trade credit contracts must be registered with SAFI, the appropriate Fund and the SCRME.



## **Protecting Your Product from IPR Infringement**

On March 1, 1999 the GOTX adopted a Civil Code that regulates IPR ownership in the areas of science, literature, and arts, as well as audio and video record production and distribution. A patent law and a law on legal protection of algorithms, software, databases, and topology of integrated microcircuits have been in effect since 1993 and 1994, respectively. The Patent Agency under the Cabinet of Ministers oversees patent law enforcement only for industrial innovations. No separate state agency supervises IPR issues. Should a case arise, all inquiries must be made to the Cabinet of Ministers.

To date, IPR infringement in Turkmenistan has not caused significant losses to U.S. holders of intellectual property rights.

## **Need for a Local Attorney**

There is a lack of skilled legal consulting and auditing services in Turkmenistan. Lack of knowledge of western legal systems, absence of any experience in working with U.S. law firms, limited experience with international law, an undeveloped legal system, and other factors such as the absence of skilled English-speaking lawyers, contribute to this lack.

The State Economic Court of Turkmenistan deals with economic disputes occurring between Turkmen enterprises. Cases with foreign company participation are also in the competence of the Court. However, it is recommended that a U.S. company stipulate international arbitration in any contract when considering doing business in Turkmenistan.

## **Performing Due Diligence and Checking Bona Fides of Banks, Agents, and Customers**

The Government has always been very cautious in establishing business relations with new and little-known foreign companies. Normally, it prefers to deal with well-known names and brands. With only limited experience in locating business partners and suppliers, the government has often relied on an intermediary, usually a small Turkish or American firm, to help find quality products and services overseas.

To gain the trust and confidence of Turkmen Government, small and medium-sized foreign firms must first prove their intentions to do serious long-term business in Turkmenistan. That can mean opening a representative office in Ashgabat, signing a long-term investment contract, or negotiating a state concession for foreign investment.

## **Chapter V: Leading Sectors for U.S. Exports and Investment**

### **Part I: Best Prospects for Non-Agricultural Products**

- A. Sector Rank: 1
  - Sector Name: Oil and Gas Industry: Exploration, Development, Services, and Equipment
  - ITA Industry Code: OGS, OGM

Turkmenistan has the world's fourth largest known natural gas reserves, after Russia, the U.S. and Iran, with estimated reserves totaling 13 to 21 trillion cubic meters of gas. In 1992, Turkmenistan produced 84 billion

cubic meters of gas, but only half of that amount was produced in 1996. Faced with limited export pipeline options and non-paying customers, gas production fell even further in 1997 to 13,284 billion cubic meters. A new but small gas pipeline to Iran built in 1997 currently allows Turkmenistan to export around 3 billion cubic meters of gas per year (although the throughput capacity of the line is 8 billion cubic meters per year). Turkmenistan is actively pursuing a project to construct a pipeline to Turkey via the Caspian Sea, Azerbaijan and Georgia. In February 1999, the Government chose Pipeline Solution Group International (PSG), a joint venture between two U.S. companies, Bechtel and GE Capital, to lead a consortium on development, construction, and management of the Trans-Caspian pipeline. An agreement concerning the sale/purchase of Turkmen natural gas has been signed between the Turkmenistan and Turkey. Turkmenistan is also exploring options for exporting gas to China and Pakistan.

Turkmenistan has significant oil reserves amounting to 6 to 8 billion tons. Turkmenistan produced 6,280 thousand tons of oil in 1998 and around 3,500 thousand tons of oil during the first six months of 1999. There are two oil refineries in the country: the Turkmenbashi refinery and the Seidi refinery. The Turkmenbashi refinery, where most Turkmen oil is being refined to meet domestic needs in petroleum products, is currently being upgraded. The Seidi refinery, which is currently running at from 6% to 8% of capacity, will also be reconstructed.

The GOTX is looking for foreign investment to explore and develop its oil and gas industry and export routes to hard currency markets. Eight oil and gas resource areas have been made available for joint venture projects and production sharing. The Government has enacted a hydrocarbons law and a program on licensing projects on exploration and production of hydrocarbon resources in Turkmenistan; both contain guidelines for licensing oil and gas investment projects, production sharing agreements, and joint ventures with foreign companies.

The Government is also interested in developing offshore oil fields in the Caspian Sea. An international tender for bidding on Caspian Sea offshore oil field development was held in 1997. However, unresolved dispute with Azerbaijan on the Serdar oil field has discouraged the winners of the tender from developing their concessions. Currently, Western Atlas does a geological study of the shallow water area and the Karabogazgol gulf in the Caspian Sea. An international tender on the right to explore and produce oil in the Caspian Sea is expected to be announced by the Government at the end of 1999.

B. Sector Rank: 2

Sector Name: Electrical Energy: Development, Equipment and Services

ITA Industry Code: PGE

Turkmenistan is self-sufficient in electricity. In 1996, production of electrical power amounted to 10.1 billion kilowatts of electricity; in 1998, Turkmenistan produced 9.28 billion kilowatt-hours. (Reportedly, present capacity is 14 to 17 billion kilowatts annually.) Approximately 15% to 17% of the electrical power produced in Turkmenistan is exported to its neighbors, often in barter arrangements. A new transmission line of 320 kilometers with a capacity of 200 to 500 megawatt-hours stretching to northern Iran (Nebitdag-Aliabad) will be put into operation this year. As part of the energy grid system connecting neighboring countries, the line

will permit the export of Turkmen electrical energy to such countries as Turkey, Armenia, Azerbaijan and Georgia.

Turkmenistan has to import its electrical power equipment. The Ministry of Energy and Industry is interested in increasing the capacity and improving the efficiency of electricity production. Also, to expand its electrical power export opportunities, the GOTX is interested in constructing an electrical power line across Afghanistan to Pakistan. Production of electrical equipment, cables, electric bulbs and other products has been planned by the GOTX as well.

C. Sector Rank: 3  
Sector Name: Chemical/Mining Industry: Development,  
Equipment and Services  
ITA Industry Code: CHM, MIN

Turkmenistan possesses significant mineral resources, most of which have not been fully developed. There are 10 chemical enterprises involved in the production of mineral fertilizers, iodine and bromine, carbon, sulfites, gypsum, and other minerals. Most of the chemical production facilities are in need of rehabilitation. The Government considers the upgrade and increase of iodine production and the expansion of carbomide and defoliant production as priority projects.

Mining and other types of chemical manufacturing industries have not been developed in Turkmenistan. To meet domestic needs in various metals and expand export opportunities for domestically processed chemicals and minerals, the GOTX would like to develop such industries as magnesium oxide, aluminum, and mineral fiber production.

D. Sector Rank: 4  
Sector Name: Transportation: Infrastructure Construction,  
Distribution and Services  
ITA Industry Code: AUT, APS, CON, TRN

The GOTX has embarked on a large-scale program to upgrade its air, rail and road transportation networks. Since independence, Turkmenistan has built a modern international airport and purchased six Boeing aircraft to service international routes. A second runway designed for heavy aircraft was completed in 1998. Thompson, a French company, has completed installation of air traffic control system at the Ashgabat International airport and was granted a second contract for the installation of air traffic control system in the Turkmenbashi airport by the year 2000.

In 1996, the 300-kilometer Tedjen-Serakhs-Meshed railroad opened, linking the Central Asian states to the Persian Gulf. The 215 kilometer Turkmenabad-Kerki-Kerkichi railway, which will connect the right bank of Amudarya with the national railway network and will end Turkmenistan's dependence on the Uzbek railroad, is being laid by the State Turkmendemiryollary company. As part of this project, the new Kerki railway bridge via the Amudarya river will be erected by May 2000 by the Ukrainian company "Ukrtransstroy". Construction of two more rail connections (Kazanjik-Kizylatrek-Bender Turkmen (Iran) and Turkmenbashi-Yeraliyevo (Kazakhstan)) to link other CIS countries with the Persian Gulf has begun. The governments of Turkmenistan, Uzbekistan, Azerbaijan and Georgia have signed an agreement to upgrade a rail link to the Black Sea. Preparatory work has been done to upgrade the road system including the Ashgabat-Mary

and Ashgabat-Turkmenbashi highways, and the Turkmenbashi sea port is planned to be reconstructed.

In 1994, the Government auctioned its late-model public taxicabs, encouraging development of private taxi services. The next step in the privatization of transportation enterprises will include privatization of small enterprises engaged in transportation and repair services. Besides investment in the infrastructure of transportation, the GOTX foresees increased investment in locomotives, aircraft, trucks, and cars into the next century.

E. Sector Rank: 5

Sector Name: Communications: Equipment and Services

ITA Industry Code: TEL, TES

Turkmenistan inherited an archaic, deteriorating telecommunications network. In 1994, a U.S. telecommunications consulting firm with funding from TDA developed a 10-year Master Plan for Turkmenistan's telecommunications sector. Based on the plan, the Government has started gradual upgrading of its old communications system by building new digital telephone stations in Ashgabat, Turkmenabad, Nebitdag and Dashoguz. Two German companies, Siemens and Alcatel, are involved in implementation of these projects. These companies have been awarded contracts to construct two more digital telephone stations in Ashgabat, one station in Mary and another in Turkmenbashi.

The Government is also interested in upgrading its telecommunications infrastructure in rural localities, seeking low-interest financing.

Turkmenistan is the site of a 708-kilometer portion of the Transasian-European fiber optic telecommunications line initiated by the European Union. The line extends from Frankfurt, Germany, to Shanghai, China. The Turkmen portion of this line was built by the Iranian Telecommunications Company in 1998.

Development of a telecommunications infrastructure in this country has provided the basis for the development of Internet and other information services. The State Turkmentelecom Company and MCI (USA) have signed an agreement to provide Turkmenistan with direct access to the Internet and a direct telephone connection between the U.S. and Turkmenistan.

F. Sector Rank: 6

Sector Name: Environmental Technology and Services

ITA Industry Code: POL

Turkmenistan possesses about 25 billion cubic meters of water resources of which 98 percent is surface water. The Amudarya River supplies 22 billion cubic meters of water annually. Other major rivers are the Murgab, Tedjen and Atrek rivers -- all which dry up during the summer months. All the rivers flow along borders with neighboring countries with which Turkmenistan has signed water sharing agreements. The Karakum Canal (1,300 kilometers in length) connects the Amudarya River with the western areas of Turkmenistan and provides irrigation water for 1 million hectares of Turkmenistan's estimated 1.77 million hectares of arable land. Inefficient flood irrigation techniques, heavily silted water and high evaporation rates from the open canal result in widespread salinization and hamper efforts to maximize agricultural production. The Government has expanded acreage under cultivation for wheat production and plans to increase irrigation water

supply through the Karakum Canal. To do that, repair of the Karakum Canal is needed. Irrigation pumping systems along the river also need major upgrading.

The Amudarya River is also a primary source of potable water for the most of Turkmenistan. Due to the overuse of chemical and mineral fertilizers in agricultural production and imperfect water collection and drainage system, this river supplies very poor quality potable water. The Dashoguz region is the most vulnerable region of Turkmenistan, suffering ecologically unsafe irrigation and potable water problems due to its proximity to the Aral Sea as well as to the extremely contaminated water of the lower Amudarya.

The significant rise in recent years of the water level in the Caspian Sea has heightened environmental concerns about the oil fields and pipelines in western Turkmenistan. The Caspian Sea has expanded by as much as 150 meters inland, flooding oil terminals, ports and oil fields, although the GOTX says the Caspian began to recede in 1997. Non-environmentally friendly drilling techniques and storage facilities used by local enterprises are threatening the area with potential environmental disasters in the coming years. Water and waste treatment are areas where the GOTX sees a significant need for improvement.

G. Sector Rank: 7

Sector Name: Health Care and Medical Industry

ITA Industry Code: MED

After the collapse of the Soviet Union, Turkmenistan inherited a health care system which included just one pharmaceutical plant in Ashgabat that produced a few medicines (primarily iodine and analgetic pills) and several clinics and hospitals providing very poor medical services. The Turkmenderman-Adjanta pharmaceutical plant, a Turkmen-Indian joint venture, was built last year to produce annually up to 75 million capsules for 20 million injections, various ointments, medical salts, and toothpaste. A mini-plant for infusion solution production was recently commissioned and the Ashgabat pharmaceutical plant has been upgraded. The National Institute of Medicaments was recently created to develop new technology for medicament production based on raw materials available in Turkmenistan. The Institute will be fitted with laboratory equipment and other medical tools to conduct scientific research.

Siemens, a German company, built the International Medical Center in Ashgabat. Almost all other medical cure and treatment facilities existing in Turkmenistan, especially those located out of Ashgabat, require renovation and upgrading. The Government plans to build new clinics and diagnostic medical centers in each province.

## **Part II: Best Prospects for Agricultural Products, Equipment and Services**

Agriculture, especially cotton production, has historically been the country's second largest source of foreign exchange earnings after the oil and gas sector. Turkmenistan used to produce as much as 1.2 million tons of cotton annually. Despite unfavorable weather conditions, outdated equipment, and lack of a water supply, manpower, and key inputs, the 1997 cotton harvest increased to 630,200 tons in comparison with 436,000 tons of cotton harvested in 1996.

The Government intends to become self-sufficient in wheat production. In 1997, Turkmenistan produced 707,000 tons of wheat, well below the state

production target of 1.2 million tons. 1998 figures state that production reached 1.24 million tons of wheat and 1.5 million tons in 1999. Current consumption is estimated at 1.2 million tons.

Although Turkmenistan produces seasonal fruits, vegetables, rice, wheat and maize, it imports many of its foodstuffs. The food processing industry is extremely underdeveloped. A shortage of modern storage facilities aggravates existing procurement system problems in agriculture.

The Government took its first steps toward agricultural privatization in December 1996. Private farmers were allowed to lease land, and will be able to acquire ownership if they keep using the land for agricultural production and meet output targets. However, these "private landowners" will have no right to sell, exchange or give away the land. Foreigners can only lease land. Various state agricultural associations are gradually transforming their relationships with farmers from state orders to a contract-based system. The government is also interested in distributing plots of land not currently under cultivation to private farmers to develop crop production.

A. Sector Rank: 1

Sector Name: Agricultural Equipment and Services;

Irrigation Equipment and Technology; Dry Land Farming

Technology and Seeds

- Harvesting machinery
- Haying and mowing machinery
- Wheel tractors
- Dairy equipment
- Poultry equipment
- Other machinery and parts

American companies have already established a strong presence supplying farm machinery, tractors, combines and cotton pickers to replace outdated equipment. These contracts also include provisions for service and spare parts centers. This area will continue to be a promising market.

- Sprayers-agricultural
- Pumps and equipment

Out of 48.8 million hectares of Turkmenistan's territory, 0.04% constitutes arable land of which 70% is irrigated. Inefficient irrigation techniques and equipment have limited Turkmenistan's ability to expand its arable land to increase agricultural production and yields. The Karakum Canal connects the Amudarya River with southern and western Turkmenistan and has been the only source of irrigation water for those regions. There are three water reservoirs built along the Karakum Canal, as well as 115 pumps, dams, dikes and other facilities. Most of the facilities require reconstruction. The Government also plans to implement several projects in irrigation area:

- construction of a new Shorkelskiy water reservoir and two canals in the Zeidskiy water reservoir,
- extend the Karakum Canal to the Kizylkay water reservoir in the Kizylatrek district and beyond to Turkmenbashi, and
- reconstruct the Ozyorniy and Daryalykskiy water collectors.

These projects generate opportunities for investment in and sales of pumping equipment, and of irrigation systems and services.

- Planting and fertilizing machinery
- Plows and cultivators

Turkmenistan has the lowest level of agricultural productivity among all the countries of Central Asia. The necessary investments to develop dry land farming technology and create sound seed stocks have not been made in the past. Now, the country is experiencing a shortage of seeds and modern technologies. The inexperience of private farmers in land cultivation also leads to a failure to increase crop harvests.

In addition, Turkmenistan requires an infusion of new cotton seed stock to ensure the continued quality of its cotton harvest and wheat seeds which will increase yield and be resistant to extended periods of drought. The potential exists for American technology and research to address these needs.

B. Sector Rank: 2

Sector Name: Food Processing and Packaging Equipment

- Packaging equipment
- Processing equipment

The Government wants to develop its agricultural processing facilities to reduce dependence on imported food. The Government has been involved in numerous construction contracts in agriculture and food processing in the past, some of which have not been completed because of financial difficulties. Several projects have been stopped and, as a result, the equipment delivered to Turkmenistan has not been put into operation.

The Government welcomes proposals that include the entire construction/production process for food processing -- from the construction of a manufacturing facility to production to marketing. SAFI would prefer to consider proposals that use local raw materials in the following projects:

- Dairy processing and packaging
- Meat processing and canning
- Sausage production
- Cheese production
- Chicken production and processing
- Fruit and vegetable processing and canning
- Spice production
- Beer production
- Beverage production
- Wine production
- Agricultural waste processing.

### **Part III: Potential Investment Opportunities**

Implementation of the projects from the extensive list below will depend on project feasibility and the availability of budgetary resources or private investment:

#### **1. Oil and Gas Ministry**

a) Construction of oil and gas pipelines to transport Turkmen natural gas to Turkey, and, eventually, to Europe, Pakistan and China.

- Trans-Caspian gas pipeline construction project (1,800 km) to transport natural gas from eastern Turkmenistan via the Caspian Sea, Azerbaijan and Georgia to Turkey (Erzurum). The projected capacity of the pipeline is 16 to 30 billion cm of gas per year and estimated cost is USD 2 to 3 billion.
  - Turkmenistan-China-Japan gas pipeline construction project with a capacity of 30 billion cm of gas per year and estimated cost of USD 11 billion.
  - Turkmenistan-Afghanistan-Pakistan gas pipeline construction project is planned to carry up to 20 billion cm of gas per year; estimated cost is around USD 2 billion.
- b) Upgrading the Seidi oil refinery to an overall annual capacity of 6 million tons of oil, including diesel fuel hydroprocessing with an annual capacity of 2,000 tons of fuel and utilization of 100,000 tons of gas annually; project estimated cost is USD 300 million.
- c) Construction of a gas and chemical production complex in Seidi with an annual capacity of 200,000 tons of polyethylene; project estimated cost is USD 800 million.
- d) The GOTX conducted a tender for the development of offshore oil fields in the Caspian Sea. An opportunity for an increase in the export of U.S. oil and gas equipment and services exists.
- e) Installation of gas collector at the 94 kilometer Beshkyzyl-Yelkui-Uchadji route; estimated cost is USD 50 million.
- f) Rehabilitation of the 42 kilometer Vyshka-Belek trunk oil Pipeline; estimated cost is USD 3 million.
- g) Construction of the 135 kilometer Okarem-Vyshka trunk oil Pipeline; estimated cost is USD 11,5 million.
- h) Construction of a production facility for the Administration on Capital Repair of Wells under the State Turkmenoil Company; estimated cost is USD 700,000.
- i) Development of oil fields at Eastern Cheleken, Northern Erdekli, and Southern Kamyshldja; estimated cost is USD 30 million for each oil field.
- j) Rehabilitation of the Shatut, Ekerem, and Nebitlidje oil Fields; estimated cost is USD 50-60 million.

## 2. Ministry of Energy and Industry

### Electrical Energy Projects:

- a) Construction of a 1,150 kilometer electrical line across Afghanistan to Pakistan (Mary-Mazari Sharif-Kabul-Peshawar) with a carrying capacity of 500 kilovolts; estimated cost is USD 288 million.
- b) Construction of a 220 kilovolt electrical substation in Nebitdag with a capacity of 2x63 megawatts; estimated cost is USD 2 million.



c) Upgrade of the Seidi thermoelectric power generation plant to a capacity of 1x80 megawatts to meet regional demand for electricity; estimated cost is USD 35 million.

d) Construction of a 500 megawatt capacity thermoelectric plant in Kyzylatrek; estimated cost is USD 350 million.

e) Construction of a thermoelectrical plant in Dashoguz with a capacity of 2x125 megawatts; estimated cost is USD 175 million.

f) Construction of three 220 kilovolt substations in Serakhs, Kerki, and Farab with a capacity of 2x63 megawatts; estimated cost is USD 2 million for each substation.

g) Construction of two 500 kilovolt substations in Dashoguz and Seidi with a capacity of 2x167 megawatts; estimated cost is USD 3.5 million.

h) Reconstruction of the Turkmenbashi thermoelectrical plant with a capacity of 1x125 megawatts; estimated cost is USD 62 million.

h) Reconstruction of the Ashgabat electrical cable production plant with a capacity of 5,000 kilometers of cable a year; estimated cost is USD 30 million.

#### Chemical Production Projects:

a) Construction of an iodine and bromine production plant at the Boyadag field located 55 kilometers from Nebitdag is estimated at USD 15 million. The concentration of iodine is 35 grams per cubic meter and bromine is 380 grams per cubic meter. The projected annual capacity of the plant is from 100 to 250 tons of iodine and 2,000 tons of bromine.

b) Turnkey construction of the Turkmenabad carbomide production plant near the Turkmenabad chemical plant with a capacity of 350,000 tons of carbomide and 333,000 tons of ammonia annually; estimated cost is USD 250 million.

c) Construction of the Mary carbomide production plant with an annual capacity of 1.5 million tons of mineral fertilizers; estimated cost is USD 390 million.

d) Construction of chemical production facilities at the Karabogazsulfate enterprise in Bekdash including:

- magnesium and magnesium oxide production with annual capacities of 5,000 tons of magnesium and 25,000 tons of magnesium oxide;
- epsomite production with annual capacity of 75,000 tons of epsomite;
- caustic soda and chlorine production with annual capacity of 10,000 tons of caustic soda and 9,000 tons of chlorine;
- sulphite and sodium sulphide production with annual capacity of 2,000 tons of each product;
- chemical reagent production with annual capacity of 5,000 tons of reagents;
- non-chlorine potash magnesium production or shenit fertilizer production with annual capacity of 70,000 tons of fertilizers;
- lithium carbonate production with annual capacity of 5,000 tons;
- boron magnesium concentrate production with annual capacity of 10,000 tons;

- potassium sulphate production with annual capacity of 50,000 tons;
- magnesium sulphate production with annual capacity of 2,000 tons; and
- sodium sulphate production with annual capacity of 50,000 tons.

e) Construction of a potash fertilizer production plant in Gaurdak in Lebap Velayat. Projected annual capacity of the plant will be 150,000 tons of calcinated soda, 50,000 tons of caustic soda, and 30,000 tons of sodium bicarbonate. Project estimated cost is n/a.

f) Construction of a strontium carbonate production plant in the village of Gaurdak, Lebap Velayat, that will produce 20,000 tons. Project estimated cost is n/a.

g) Construction of a methanol, formaldehyde and urea-formaldehyde resin production facility with annual capacity of 100,000 tons of methanol. Project estimated cost is n/a.

i) Construction of the "Extra" salt production facility at the Turkmenabad chemical plant with a capacity of 10,000 tons of salt; estimated cost is USD 2.5 million.

j) Construction of a calcium bromide production facility at the Cheleken chemical plant with a capacity of 1,000 tons; estimated cost is USD 500,000.

#### Other Industrial Projects:

a) Construction of a pulp and paper production plant in Bezmein with a capacity of 40,000 tons of each product; estimated cost is USD 136 million.

b) Construction of an aluminum production complex in the Mary Velayat includes the following three projects: an alunite mining facility with an annual capacity of 2 million tons of alunite (USD 100 million project cost); an alumina production facility with an annual capacity of 300,000 tons of alumina (USD 250 million project cost); and an aluminum smelter with an annual capacity of 150,000 tons of aluminum (USD 350 million project cost).

c) Construction of a paint production plant in Turkmenabad with an annual capacity of 5,000 tons; estimated cost is USD 7 million.

d) Construction of a ruberoid production plant with an annual capacity of one million square meters of ruberoid; estimated cost is USD 1.5 million.

e) Construction of a school appliance production facility with an annual capacity of 50 conditional sets; estimated cost is USD 16 million.

f) Construction of an immersing pump (ECV-8 and ECV-12 types) production facility at the Mary machine building plant with an annual capacity of 2,000 units; estimated cost is USD 1 million.

g) Construction of a rubber and technical item production facility in Ashgabat with an annual capacity of 50 tons; estimated cost is USD 500,000.

h) Construction of a technological line for assembling washing

machines at the Arzuv plant in Ashgabat with an annual capacity of 10,000 units; estimated cost is USD 600,000.

i) Construction of a computer production plant with an annual capacity of 12,000 computers; estimated cost is USD 25 million.

### 3. State Association for Food Production and Processing

a) Reconstruction of vegetable oil production plants in Bayramali, Turkmenabad and Dashoguz; estimated cost is USD 268 million.

b) Reconstruction of the Ashgabat confectionary factory "Gundogar" to expand production capacity of biscuits and cakes up to 9,600 tons and chocolate up to 5,600 tons; estimated cost is USD 15.6 million.

c) Construction of a margarine and mayonnaise production Facility in Ahal Velayat with an annual capacity of 3,000 tons of margarine and 2,000 tons of mayonnaise; estimated cost is n/a.

d) Construction of a cardboard production facility for meat, dairy and other food products in Ashgabat with an annual capacity of 5,000 tons; estimated cost is USD 10 million.

### 4. State Association for Bread Production

a) Construction of a grain mill complex in Mary with a daily capacity of 200 tons of grain; estimated capacity is USD 15 million.

b) Construction of an elevator for a raw rice storage in Dashoguz with a daily capacity of 50,000 tons; estimated cost is USD 5 million.

c) Reconstruction of the flour mills with elevators in Turkmenabad and Mary each with a daily capacity of 250 tons of grain; estimated cost is USD 30 million for each mill with elevator.

d) Reconstruction of a mill with an elevator in Dashoguz with a daily capacity of 500 tons of grain; estimated cost is USD 30 million.

e) Construction of a bread production plant in Ashgabat with a daily capacity of 30 tons of bread; estimated cost is USD 10 million.

f) Reconstruction of the Ashgabat Bread Enterprise with a daily capacity of 25 tons of bread; estimated cost is USD 5 million.

### 5. Ministry of Communications

a) The project on the development of the National Data Transfer Network and reconstruction of the telegraphic net system will cover Ashgabat and the four other velayat capitals; estimated cost is USD 3 million.

b) Development of the 280 kilometer Turkmenabad-Kerki-Gaurdak communications line; estimated cost is USD 3 million.

c) Development of the 260 kilometer Bayramali-Kushka communications line; estimated cost is USD 3 million.

d) Construction of the 130 kilometer Tedjen-Serakhs radio relay

line; estimated cost is USD 700,000.

e) Reconstruction of Turkmenistan's radio and television broadcasting stations and ultra-short wave frequency transformers; estimated cost is USD 12 million.

f) Reconstruction and modernization of the postal mail network; estimated cost is USD 5 million.

g) Development of the second phase of the 653 kilometer Ashgabat-Turkmenbashi fiber-optic communications line; estimated cost is USD 24 million.

#### 6. State Company "Turkmenautoyollary" (highway construction)

a) Rehabilitation and expansion of the highway from Turkmenabad to Mary to Ashgabat to Turkmenbashi:

- Ashgabat-Turkmenbashi length: 560 km.

- Ashgabat-Mary length: 352 km. The European Bank for Reconstruction and Development (EBRD) has approved a loan to finance this project; estimated cost is \$75 million.

- Mary-Turkmenabad length: 230 km.

b) Construction of a bridge for trains and motor vehicles over the Amudarya River in Kerki.

c) Reconstruction of the Turkmenabad bridge for trains and motor vehicles.

#### 7. State Railway Administration

Construction of four railway lines: Kazanjik-Kizylatrek: length 245 km; Kazanjik-Kizylkaya: length 170 km; Turkmenbashi-Kuulisol-Bekdash: length 400 km.

#### 8. State Steamship Administration

a) Reconstruction of the seaport at Turkmenbashi and moorings at Kuulisol and Ufra. The TDA has funded a feasibility study for a seaport modernization project, and EBRD has approved financing for this estimated USD 30 million project.

b) Construction of a tanker is estimated at USD 11 million.

c) Construction of an oil pier with 235 berths is estimated at USD 700,000.

d) Construction of a floating dock with a capacity of 5,000 tons is estimated at USD 5 million.

#### 9. Khakimlik of Balkan Velayat

Due to GOTX plans to expand oil and gas and other industries' operations in the Balkan Velayat, the issue of improving the water supply has become vital for this region. Caspian Sea water desalinization and purification is

considered a high priority for Turkmenistan. To receive detailed information on this project, companies should also approach SAFI.

#### 10. Ministry of Transportation

a) International cargo delivery development (resulting from the agreement to develop transit trade between the ECO member-states). This project will include the purchase of about 200 heavy trucks and service infrastructure development worth \$20 million. The extension of a credit line or truck leasing are the financing options being considered.

b) Expansion of Turkmenistan's fleet of dump trucks (resulting from Turkmenistan's need for highway construction and development). The GOTX is interested in purchasing or leasing dump trucks.

c) Construction of automobile service facilities (called Caravan-Sarai) along highways throughout Turkmenistan. This project includes construction of motels, service stations and automobile spare parts stores and the provision of telephone and fax communications, insurance and medical services.

d) Conversion of gasoline-powered vehicles to natural gas with the construction of a natural gas conversion facility with a monthly capacity of 100 to 5,000 vehicles.

e) Construction of a chassis production facility that can assemble vehicles and trucks using universal chassis. The projected annual capacity of the plant is 1,000 to 5,000 light trucks and 500 to 900 medium capacity trucks.

f) Tire rehabilitation facility designed to help meet the country's annual demand for 2 million tires. The Ashgabat automobile repair plant will house a tire rehabilitation shop with an annual capacity of 100,000 tires.

g) Storage battery production development will require purchase of storage battery production technology and equipment to be installed in the Mary automobile repair plant. The projected annual capacity of the equipment is 80,000 batteries.

h) Production of automobile spare parts, including windshields, belts and other parts.

#### 11. Ministry of Textile Industry

a) Reconstruction of the Ashgabat silk production plant to increase annual production capacity to 60 tons of raw silk.

b) Reconstruction of the Ashgabat shoe production factory to expand annual shoe production to 3 million pairs.

c) Reconstruction of the Bezmein carpet production plant to increase the annual production capacity to 2.45 million square meters of carpet. A wool washing shop is also needed to process 2,000 tons of wool.

d) Reconstruction of the Nebitdag hosiery factory to increase the annual production capacity to 30 million hosiery items.

e) Reconstruction of the Turkmenabad knitted goods factory to increase the annual production capacity to 12.7 million pieces. The factory plans to produce fabric made of synthetic thread, curtains and laces.

f) Completion of construction of the Seidi cotton fabric factory to produce up to 7,000 tons of cotton fabric annually.

g) Completion of construction of the Yolotan cotton fabric factory to produce annually up to 5,000 tons of fabric annually.

## 12. State Tourist Corporation

Plans to develop tours, tourist services and recreational facilities are part of the state's program for tourism development. Foreign investments are expected to be the catalyst for this sector. Starwood Hotels and Resorts, Inc., a U.S. company, has become a ten year operator of the Grand Hotel "Turkmen" which includes the Sheraton Grand Turkmen Hotel and the Four Points Ak Altyn Plaza Hotel.

Potential exists for developing a recreational zone on the Turkmen side of the Caspian Sea.

It should be noted that, to date, Turkish construction companies have been the primary competitors for most hotel construction projects implemented in Turkmenistan.

## 13. Ministry of Health Care and Medical Industry

a) Construction of a medical item production plant in Ashgabat with an annual capacity of 2,300 tons of cotton, 240 tons of tampons, and 470 tons of children's padding; estimated cost is USD 19 million.

b) Reconstruction of liquorice root processing facility at the Turkmenabad liquorice production enterprise "Buyan" with an annual capacity of 300 tons of extract, 50 tons of glycerin, and 100 tons of flavinoids; estimated cost is USD 6 million.

c) Construction of a mini-plant for the production of medical tablets and pills in Dashoguz, Mary, Nebitdag, and Turkmenabad with an annual capacity of 50 million tablets and pills; estimated cost is USD 2 million for each mini-plant.

d) Reconstruction of the Ashgabat chemical and pharmaceutical plant "Saglyk" with an annual capacity of 300 million tablets and 18 million bottles; estimated cost is USD 8 million.

e) Construction of clinics with diagnostic centers in Ashgabat, Dashoguz, Mary, Nebitdag, and Turkmenabad with a capacity of 25 beds in each clinic; estimated cost is USD 20 million.

f) Construction of the Scientific and Research Institute of Oncology in Ashgabat with 250 beds and 300 visiting patients per shift; estimated cost is USD 35 million.

g) Construction of a tuberculosis clinic with 200 beds and a polyclinic for 300 visiting patients per shift in Ashgabat; estimated cost is USD 25 million.

h) Construction of a catgut production facility in Ashgabat with an annual capacity of 2 million ampoules; estimated cost is USD 7 million.

There is considerable foreign competition from the German firm Siemens in the medical equipment and services sector.

U.S. companies interested in the opportunity to export American medical supplies to Turkmenistan should contact the Ministry of Health Care and Medical Industry at the following address:

Mr. Kurbankuli Berdymukhamedov, Minister  
Ministry of Health Care and Medical Industry  
90 Makhtumkuli Street, Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-10-63, 35-58-33, or 35-45-21  
Fax: (993) (12) 35-50-32

#### 14. Ministry of Agriculture and Water Resources

a) Construction of the Zeid water reservoir with an annual capacity of 2,520 million cubic meters of water; estimated cost is USD 144.7 million.

b) Reconstruction of the Karakum Canal to extend it up to 1,100 kilometers in length and to increase its annual capacity up to 610 cubic meters of water; estimated cost is USD 26.8 million.

c) Construction of the Madau water reservoir in Kizylatrek etrap with an annual capacity of 250 million cubic meters; estimated cost is USD 119.5 million.

d) Reconstruction of pumping station No. 7 at the Karakum Canal for 5,100 hectares with an annual capacity of 6 cubic meters of water per second; estimated cost is USD 80 million.

e) Reconstruction of the Ozyorniy and Daryalykskiy collectors in Dashoguz Velayat at 442,200 hectares; estimated cost is USD 80 million.

f) Construction of a 785 kilometer Trans-Turkmen water collector; estimated cost is USD 427 million.

g) Construction of a pumping station at the Zahmet-Turkmengala machine canal with an annual capacity of 50 cubic meters of water per second; estimated cost is USD 5 million.

h) Installation of a divider unit at the 15<sup>th</sup> kilometer of the Karakum Canal and the SK-2 canal with an annual capacity of from 400 to 500 cubic meters of water per second; estimated cost is USD 3 million.

i) Construction of the basic structure of the Karakum Canal with an annual capacity of 980 cubic meters of water per second; estimated cost is USD 37.2 million.

j) Construction of two partitioning units at the 326<sup>th</sup> and 456<sup>th</sup> kilometers of the Karakum Canal with the capacity of 727 and 580 cubic meters of water per second, respectively; estimated cost is USD 35.4 million and USD 31.9 million, respectively.

k) Project cost for irrigation of 34,000 hectares of land in

southwest Turkmenistan; estimated cost is USD 425 million.

l) Reconstruction of the pumping station No. 21 at the Karakum Canal with a capacity of 11 cubic meters of water per second; estimated cost is USD 7.8 million.

m) Reconstruction of the pumping station at the 672nd kilometer of the Karakum Canal with a capacity of 6.7 cubic meters of water per second; estimated cost is USD 12.4 million.

n) Reconstruction of the 270 kilometer south-western branch line of the Karakum Canal with a capacity of 30 cubic meters of water per second; estimated cost is USD 83.7 million.

o) Construction of the Serakhs machine canal in Ahal Velayat with a capacity of 15 cubic meters of water per second; estimated cost is USD 39 million.

p) Construction of pumping stations "Gaurdak-1" and Gaurdak-2" in Lebap Velayat, each with a capacity of 16 cubic meters of water per second; estimated cost is USD 21.6 million.

q) Construction of the Meana-Chacha pumping station with a capacity of 2.25 cubic meters of water per second; estimated cost is USD 31.5 million.

r) Construction of the Bis pumping station with a capacity of 3.45 cubic meters of water per second; estimated cost is USD 15 million.

s) Construction of four pumping stations in Lebap Velayat and two pumping stations in Dashoguz Velayat each with a capacity of 45 cubic meters of water per second; estimated cost is USD 15 million.

t) Strengthening the Murgap and the Tedjen Rivers to prevent flash flooding; estimated cost is USD 35 million.

#### **Comment**

The above mentioned projects reflect the GOTX's thinking concerning priority areas. Implementation will be determined by availability of internal budgetary resources and external financing. Nevertheless, U.S. investors should seriously consider appropriate projects in Turkmenistan.

The Government of the United States acknowledges the contribution that outward foreign direct investment can make to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. Nearly sixty percent of total U.S. exports originate with American firms with investments abroad. Recognizing the benefits that U.S. outward investment brings to the U.S. economy, the Government of the United States undertakes initiatives, such as Overseas Private Investment Corporation (OPIC) programs, bilateral investment treaty negotiations and business facilitation programs, that support U.S. investors.

## **Chapter VI: Trade Regulations, Customs, and Standards**

### **Trade Barriers, Including Tariff and Non-Tariff Barriers**



Turkmenistan does not officially apply tariffs to imported goods, with the exception of import by individuals. However, in effect the current excise tax regime sets up excise taxes for certain imported goods but not for their corresponding domestic ones and the excise tax rates for imported goods are higher than those applied on the same domestic products.

Turkmenistan maintains a significant number of non-tariff barriers to trade. Among them is the trade contract and investment project registration requirement. Foreign companies must register with the SCRME and SAFI, the main bodies regulating foreign trade and investment. In addition, there are other agencies that also require registration of contracts and projects for various purposes including Khakimliks (mayor offices), the State Tax Inspectorate, and some sectoral ministries.

The SCRME often creates difficulties for both local and foreign traders. A special Presidential Decree has authorized the SCRME to regulate prices for goods produced in Turkmenistan and exported from the country, and to control implementation of export contracts. The SCRME also sets up prices at which local businesses are allowed to purchase goods from foreign markets and requires them to sell products at prices (not more not less) fixed in contracts registered with this body. Otherwise, businesses can be fined. Such requirements often lead to the import of products and services of low quality. The SCRME also requires goods to be received in country before they can be paid for.

Entities with foreign involvement are required to file documents for registration as legal entities in addition to those set forth for entities without foreign participation. Also, projects with foreign company involvement must obtain authorization from SAFI while projects without foreign participation are not subject to this authorization process. Registration with SAFI is normally a time-consuming process that creates delays in getting goods and services to consumers.

The commercial tax structure which includes the Law on Profit Tax, the Law on VAT, and the Law on Wage Fund Excess Levy, puts foreign investors at a disadvantage relative to domestic investors by making various exemptions applicable to domestic businesses and taxing foreign investors as to certain sources of income. The Law on VAT provides VAT exemptions to a number of domestic companies producing a wide variety of products. On the other hand, such exemptions are not provided to the same imported products. (Note: Beginning July 1, 1998, state and non-state enterprises and agricultural entities are exempted from value added tax payment on part of the profit received from export of goods and services.)

Article 37 of the Law on Hydrocarbon Resources requires contractors in the oil and gas sector to provide preferences to equipment, materials, and finished products made in Turkmenistan if they are competitive in terms of quality, price, operating parameters, and delivery conditions. Such a requirement may create an impediment to foreign investors and traders.

### **Customs Regulations**

Foreign companies doing business in Turkmenistan consider the Turkmen customs clearance process very complicated, in terms of paper work, and lengthy (sometimes up to 2 months). Requests for bribes have been a typical occurrence in day-to-day customs operations.

To pass through customs, an importer of goods must submit the following documents:

- A trade contract registered with the SCRME. The contract should contain information about quantities and costs in hard currency that will be the basis for the customs valuation;

- A bill of lading with similar information on quantities and costs;

- A customs cargo declaration form that can be obtained in the Ashgabat-Expertisa firm of the Chamber of Commerce of Turkmenistan at the following address:

"Ashgabat-Expertisa" Firm  
36 Shevchenko Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 47-17-97

- A conformance certificate confirming the quality of delivered goods. The certificate can be obtained from the State Standards Inspectorate at the address below:

State Chief Standards Inspectorate  
14 Seidi Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 51-14-94, 51-14-32  
Fax: (993) (12) 51-04-98

- A certificate of origin.

- A Central Bank document confirming a money transfer for purchasing goods or an irrevocable Letter of Credit.

The customs cargo declaration and bill of lading are only accepted in English or Russian. Other documents can be in Russian. Translated copies must be certified by the Chamber of Commerce. The fee for certification ranges from USD 1 to 2 per page. Faxes and copies are not accepted as official documents by the customs authority.

During the customs clearance process, Customs charges a service fee of 0.2% of the contract cost and 20% of the value added tax assessed on the customs service fee sum.

### **Tariff Rates**

A March 19, 1999 Presidential decree introduced a 5 percent customs duty for goods imported into Turkmenistan by individuals. The duty is charged against values determined by Turkmen Customs on the basis of world and domestic price information provided quarterly by the State Institute for Statistics and Prognosis. Duties are not charged on goods that have been exported previously from Turkmenistan declared at Customs and re-imported into the country. Customs also does not charge duty on goods imported as part of passenger personal luggage though the total value of goods included in the passenger personal luggage should not exceed an amount determined by Customs. Food items except for alcohol and tobacco products, medicine and medical items, school appliances, and children's goods are not subject to the customs duty.

Turkmen Customs levies excises on a limited number of exported goods. The list includes:

(1) Pure wool and partial wool yarn	USD 100 per ton
-------------------------------------	-----------------

- |     |   |                    |
|-----|---|--------------------|
| (2) | Cattle leather:   |                    |
|     | - leather from cows, camels, bulls, etc.                                  | USD 100 per ton    |
|     | - leather from sheep and goats  | USD 0.50 per piece |
|     | - non-standard leather  | USD 50 per ton     |
| (3) | Ammonia saltpeter   | USD 100 per ton    |
| (4) | Superphosphate *  | USD 100 per ton    |
| (5) | Ammonium phosphate *  | USD 100 per ton    |
| (6) | Ammonium sulphate *   | USD 100 per ton    |
| (7) | Turkmen sheep-dogs (license required from the Nature Protection Ministry) | USD 300 per dog    |

\*) Note: All marked products are exempt from excises when sold for hard currency through the State Commodity and Raw Materials Exchange.

#### **Import Taxes Including Value Added Taxes, Purchase Taxes, Uplifts and Surcharges, and Provincial Taxes**

In 1996 the Government introduced Customs excises for four categories of goods including alcohol, vehicles, tobacco products, and jewelry made of precious and semi-precious stones and metals. Gradually, the list of goods subject to customs excises has grown to more than one hundred categories of goods. The Government officially claims that there are no customs tariffs charged for export/import of goods by juridical entities, however Turkmen Customs does, in fact, charge customs excises for export/import transactions in accordance with Presidential decrees regulating export/import operations. A Presidential decree of August 18, 1999 approved the updated list of goods subject to excise taxes. This list is effective October 1, 1999.

When considering importing or exporting goods from Turkmenistan, the following should be noted:

- the importation of alcohol into Turkmenistan is licensed by the Ministry of Trade and Foreign Economic Relations;
- goods and products imported in accordance with intergovernmental agreements, governmental decrees and orders, and for the implementation of projects and contracts including those involving foreign investment, state loans, humanitarian assistance products and/or raw materials that are reworked or to which value is added in Turkmenistan, are exempt from excises.
- excises are paid in the national currency, the manat, at a foreign exchange rate determined by the Central Bank of Turkmenistan on the date of contract registration with the State Commodity and Raw Materials Exchange.

According to customs' instruction of February 10, 1997, excises on imports are collected on the basis of one of the following:

- (a) the physical volume or weight of goods (in which case the excise rate is set in U.S. dollars); or
- (b) trade contract value (in which case the rate is expressed as a percentage), provided the resulting tax equals or exceeds the amount of tax customs would collect under (a).

The following goods imported into Turkmenistan are subject to customs excises:

- |     |   |      |
|-----|---|------|
| (1) | Eggs  | 10%  |
| (2) | Natural honey   | 30%  |
| (3) | Fresh or cooled potatoes  | 10%  |
| (4) | Tomatoes, peppers, eggplants, cabbage, cucumbers, onion, garlic | 100% |

(5)	Carrot, turnip, red beet	50%
(6)	Legumes	10%
(7)	Other vegetables including fresh or cooled, non-cooked or cooked, preserved for short time life, dried wholes or sliced ones	10%
(8)	Fruit and nuts	20%
(9)	Lemons	50%
(10)	Grapes	100%
(11)	Watermelons, melons, gourds	100%
(12)	Coffee	20%
(13)	Wheat (except for seed wheat and hard sorts imported by enterprises of Turkmenalainumtery company)	50%, but not less than USD 0.12 per kilo
(14)	Wheat flour	50%, but not less than USD 0.17 per kilo
(15)	Other types of wheat except for wheat and wheat-rye flour	10%
(16)	Cereals	10%
(17)	Potato flour, cereal, flakes, and granules	10%
(18)	Oil-bearing seeds and fruit and other seeds and fruit (except for officinal)	10%
(19)	Vegetable oils	10%
(20)	Confectionery	10%
(21)	Chewing gum	USD 0.01 per one piece
(22)	Cocoa and derivatives	10%
(23)	Pasta	50%, but not less than USD 0.50 per kilo
(24)	Ready made products of vegetables, fruit, and nuts	30%
(25)	Ice cream	50%, but not less than USD 1.50 per kilo
(26)	Mineral water except mineral water used for medical purposes	100%
(27)	Potable water	USD 0.2 per liter
(28)	Non-alcoholic beverages	50%, but not less than USD 0.2 per liter
(29)	Beer	USD 0.50 per liter
(30)	Grape wines including strong wines, vermouth, and other grape wines	USD 1.50 per liter
(31)	Ethyl spirit except for spirit imported by enterprises of the State Food Association of Turkmenistan And the Turkmen Union of Consumer Cooperation	USD 4.00 per liter
(32)	Alcohol, liquors, and other drinks	USD 2.50 per liter
(33)	Vinegar and its substitutes	30%
(34)	Ground sulphur and brimstone	30%
(35)	Cigars including cigars with cut ends cigarillos and their substitutes except cigarettes without filters	20%, but not less than USD 0.10 per pack
(36)	Tobacco and its substitutes	USD 0.25 per pack
(37)	Coarse-ground salt	30%
(38)	Sea salt	50%
(39)	Gypseous and anhydride stone	30%
(40)	Cement (M-300 and M-400 types)	USD 10 per ton

(41)	Natural magnesium sulphate (epsomit)	30%
(42)	Ozocerite	20%
(43)	Oil coke	30%
(44)	Bitumen	30%
(45)	Technical iodine (A type)	30%
(46)	Tetrabromodifeninolpropan	30%
(47)	Ferro bromide	20%
(48)	Technical carbon K-354	30%
(49)	Oxygen	20%
(50)	Potassium iodide	30%
(51)	Technical sulfur acid	20%
(52)	Technical sulfur acid	20%
(53)	Carbon dioxide	20%
(54)	Technical magnesium chloride (bishofit)	30%
(55)	Sodium sulphate (A and B type)	30%
(56)	Aluminum sulphate	20%
(57)	Glauber's salt	50%
(58)	Tan extracts and dying tannins and derivatives	10%
(59)	Essential oils, perfume, cosmetics, and other body care products	10%
(60)	Soap bars and other washing means except for "Belizna" bleach	10% but not less than USD 0.2 per kilo
(61)	"Belizna" bleach	30%
(62)	Albumen, modified starch, glue, and ferments except for technical salt	10%
(63)	Technical salt	30%
(64)	Photo and film products	10%
(65)	Plastic products	20%
(66)	Rubber items	20%
(67)	Leather except for fur and sheep and lamb skin	10%
(68)	Leather goods: saddles and harness, and travelling items	30%
(69)	Natural and artificial fur and fur items except for astrakhan fur coats	20%
(70)	Astrakhan fur coats	100%
(71)	Silkworm cocoons	50%
(72)	Raw silk	50%
(73)	Sheep wool except Sardjinskaya, Merenosnaya and Angora wool	50%
(74)	Cotton yarn (all sizes)	100%
(75)	Cotton fabric (coarse calico)	100%
(76)	Denim fabric	100%
(77)	Cotton wool except for medical cotton wool	100%
(78)	Quilted cotton wool for furniture	50%
(79)	Cotton sheet wadding	50%
(80)	Hand made carpets, koshmas and other floor covers	150%
(81)	Yurtas	150%
(82)	Machine-made wool carpets, rugs and carpet items	50%
(83)	Machine-made partial wool carpets, rugs and carpet items	50%

(84)	Machine-made synthetic carpets, rugs and carpet items	50%
(85)	Strips of cotton carpets	50%
(86)	Special fabrics, fabrics with nap, laces, and tapestry	10%
(87)	Textile materials, impregnated, with coating, or duplicated fabrics processed with special materials	10%
(88)	Knitted cotton fabric of all types	100%
(89)	Knitted garments except for knitted cotton garments for adults, knitted cotton underwear, knitted cotton women's pajamas, knitted cotton men's jersey and sweaters, and children's garment	20%
(90)	Cotton underwear	50%
(91)	Knitted cotton women's pajamas	50%
(92)	Knitted cotton men's jersey or sweaters	50%
(93)	Knitted cotton outer-clothing for adults except for high-bulk yarn	100%
(94)	Textile garment except for special garment made of cotton and denim fabrics, denim trousers, cotton robes, cotton mittens, and children's clothing	20%
(95)	Cotton and denim clothing used for industrial and agricultural work except for clothing made of tarpaulin material and other fabrics processed with special materials	100%
(96)	Denim trousers	50%
(97)	Cotton robes except for terry robes	100%
(98)	Cotton mittens	100%
(99)	Other ready made textile items, sets, second hand clothing, and rags except for cotton bed clothing	20%
(100)	100% cotton bed clothes	50%
(101)	Beach shoes made of polyvinylchloride and Asian galoshes moulded of rubber (except for varnished and gummed galoshes)	50%
(102)	Shoes	20%
(103)	Head-dresses and accessories	10%
(104)	Umbrellas, walking sticks, whips, and accessories	10%
(105)	Processed feather and down, feather and down items, artificial flowers	20%
(106)	Items made of stone, gypsum, cement, asbestos, mica and other similar materials except for slates	10%
(107)	Slate	USD 20 per one thousand of conditional slab
(108)	Ceramic items	10%
(109)	Window glass with 3-4 millimeter thickness except for shaded, reinforced and patterned glass	USD 1 per square meter
(110)	Crystal items	20%
(111)	Jewelry made of precious and semi-	25%

	precious stones and metals, plated with precious metals, or natural and cultivated pearls or precious and semi-precious stones	
(112)	Cauldrons with a capacity of up to 100 liters	50%
(113)	Enameled bowls with a capacity of up to 2 liters	30%
(114)	Enameled mugs with a capacity of 0.4 to 1 liter	30%
(115)	Gas stoves	20%
(116)	Aluminum teapots	50%
(117)	Saws of PMP00183 type	100%
(118)	Saws of 4AP05002 type	100%
(119)	Pouring equipment of USN-175 type	10%
(120)	Equipment of USN-175 and USNPn-175	30%
(121)	Internal combustion engine designed for vehicles of 8703 type	USD 0.15 per cubic centimeter of engine capacity
(122)	Engine spare parts for vehicles of 8703 type	10%
(123)	Fans (VG-70, VG-50, ZVG-25, VG-70 without engine, and VG-50 without engine types)	30%
(124)	Rotor (V16VG-70 type)	30%
(124)	Air conditioning system with fan installed in it	10%
(125)	Dough, pastry mixing equipment (TMM-1M)	20%
(126)	Cream mixing machines of MV-60 and MV-35 types	20%
(127)	Drilling equipment (BPR-70)	10%
(128)	Electrical batteries	15%
(129)	Electromechanical home appliances	10%
(130)	Electrical equipment used for internal combustion engines	10%
(131)	Electrical telephone and telegraph equipment for wire communications	10%
(132)	Tape-recorders	10%
(133)	Video-recorders and video-players	10%
(134)	Receivers for radio-telephone and radio-telegraph communications	10%
(135)	Television receivers including video-monitors and video-projectors	10%
(136)	Lamp holders, sockets, switch outlets	30%
(137)	Non-isolated cord for electricity transmission lines	30%
(138)	Cord for connection with electrical appliances	30%
(139)	Cable for signalization and block system	30%
(140)	Conductors, cord, one-strand cable with plastic isolation and section of 50 to 120 square millimeters, radio cord, control cable, adjusting cord, cable and cord for radiofication and communications, non-isolated supply cord , telephone	30%

cable	
(141) Sleeve and piston for engine A-01	50%
(142) Oil heaters PP-0.63	50%
(143) Automobiles:	
- with engine capacity up to 2,000 cc	USD 0.25 per one cc of engine capacity
- with engine capacity 2,000 cc or greater	USD 0.60 per one cc of engine capacity
(144) Chassis	15%
(145) Body including cab for cars of 8703 type	15%
(146) Spare parts and equipment for cars of 8703 type	15%
(147) Motor cycle and motorized bicycle	15%
(148) Trailers	15%
(149) Yacht, boats and gigs	10%
(150) Photo camera, photo flash, and photo equipment	10%
(151) Copying machines	10%
(152) Watch, watch belts, and bracelets	10%
(153) Furniture	10%
(154) Mattress, blanket, and cotton pillow	100%
(155) Arts, collection items, and antiquary	50%

\*) Note that spirits imported by the State Food Association and Turkmen Union of Consumer Cooperation (Turkmenpotrebsoyuz), except for spirits imported by these organizations on consignment basis and/or as products and/or raw materials that are reworked or to which value is added in Turkmenistan, are not subject to excises.

Foreign and domestic legal entities and individuals must pay Value Added Tax for import and export of goods. The VAT rate for import/export is 20%. According to regulations, the following goods are exempt from payment of VAT:

- goods for official use by foreign diplomatic representations or similar organizations and for private use of the diplomatic and administrative-operational staff of these representations as well, including the members of their families who live with them;
- goods sold by manufacturing enterprises or associations of blind and deaf people;
- goods produced and sold by the medical-productive workshops within psychiatric hospitals and public organizations of disabled people;
- goods produced and sold by enterprises, organizations and institutions where the number of disabled people is not less than 50% of total staff;
- enterprises and organizations of all types of property at all stages of production and sale (excluding export delivery) of flour, bread, rolls and buns, macaroni, grouts, including rice, mixed feed, milk, sour milk products, curds, sour cream, brynza, cheese, ice-cream, oil butter, meat and meat products, including tinned foods, sausage products of all kinds, fish products (excluding delicacy ones), confectionery, baby food, salt, tea, sugar, and medicaments.

VAT applies on the total value of the registered contract plus customs excise tax and plus customs processing fee.

#### **Import/Export License Requirements**

Issued in November 1994, a presidential decree outlines two separate sets of goods whose import and/or export must be licensed by the President and the Cabinet of Ministers. The following is the list of goods where import or export is controlled by the President:



1. Arms and military equipment and special items used for military production and services;
2. Gunpowder, explosive substances, explosive and pyrotechnic devices;
3. Radioactive materials, technology, equipment and installations, special non-nuclear materials and radioactive wastes;
4. Precious metals and alloys, ores, scrap material and wastes;
5. Precious stones and items including wastes, powder, recuperation of precious stones, pearls and amber;
6. Narcotics;
7. Special kinds of raw materials, equipment, technology and scientific information used for arms and military equipment production;
8. Materials, equipment and technology ostensibly produced for peaceful purposes but which may be used for production of nuclear, chemical and other kinds of weapons of mass destruction;
9. Investment abroad;
10. Export of scientific and research works, expertise and innovations; and
11. Poisons (except those that are included in the list below).

The Cabinet of Ministers licenses export or import of the following goods:

1. Chemicals;
2. Poisons;
3. Industrial wastes;
4. Turkmen national jewelry;
5. Cultural valuables;
6. Ancient printed products and manuscripts;
7. Archaeological findings;
8. Numismatics;
9. Art pieces;
10. Collections of materials on mineralogy and biology;
11. Central Asian sheep-dogs;
12. Ahalteke horses;
13. Pedigreed cattle;
14. Wild animals;
15. Wild plants, bones of fossil animals, ivory, horns, hoofs, corals and other such materials; and
16. Information about energy resources and minerals broken down according to regions and fields located throughout the territory of Turkmenistan and within the continental shelf and offshore zone.

The Ministry of Trade and Resources issues licenses for the import of alcohol.

The Precious Stone and Metal Fund under the Central Bank of Turkmenistan provides licenses for export and/or import of precious stones and metals.

### **Temporary Goods Entry Requirements**

According to Turkmenistan's Law on Foreign Investment, goods and properties that are imported temporarily and used for personal needs are exempted from customs duty payments. (Note that there are no customs duties levied on entities in Turkmenistan.) The regulations on temporary entry requirements approved on March 25, 1999 stipulate that any goods can be treated under the customs temporary entry regime except for: prohibited imports and exports; goods and materials that will be consumed; and industrial wastes. The temporary entry of goods is permitted only upon submission of written confirmation about the obligatory exit of these goods from Turkmenistan.

Turkmen customs authorities determine what goods can be treated under the temporary entry regime and require them be declared, certified, and submitted to any necessary sanitary, veterinary, and other checks. The terms of the temporary entry regime must not be longer than one year but can be prolonged if customs approves. A customs fee of 100,000 manats or USD 19.23 (official exchange rate at 5,200 manats per dollar) is charged for each customs cargo declaration.

### **Special Import/Export Requirements and Certifications**

The SCRME is authorized to issue import/export licenses for all commercial transactions involving foreign participation.

To register direct trade contracts not involved in auctioning at the SCRME, three original copies of the contract along with a product quality certificate and a document confirming product availability must be submitted to the SCRME.

Goods that are auctioned at the SCRME can be exported from or imported into Turkmenistan without licensing.

To register a contract for selling or purchasing goods at the SCRME, an application should be submitted at least five days prior to the sale or purchase. The application must contain information about the goods: quantity, price, place of origin and current location, terms of delivery and payment and the seller's contact information. In addition, the following documents must be submitted: a product quality certificate issued by the producer of goods offered for sale; a written confirmation of product availability issued by the seller; and a guarantee document containing the date and terms for delivery of goods in Turkmenistan. A buyer must present a bank confirmation of sufficient funds to cover the cost of the goods.

Contracts concluded on the basis of clearing agreements, trade credits and investment barter (as well as those entailing the import of a part of joint venture capital goods, and charitable donations) must also be registered with the SCRME.

With the exception of cotton, all goods imported into and exported from Turkmenistan must be certified as adhering to quality standards determined by the State Chief Standards Inspectorate. The process of obtaining the certificate of conformity is complicated and requires testing of imported and exported goods by the Standards Inspectorate. A fee up to 0.5% of the total value of goods to be certified is collected. The time to obtain a certificate of conformity ranges from 7 days to 30 days depending on the type of product and the time required for testing. Imported goods are placed in a bonded warehouse until the certificate of conformity is obtained.

All certificates issued by certificate bodies accredited by other CIS countries for goods originating in that CIS country are accepted by Turkmenistan. Those countries that signed a bilateral agreement on acceptance of national state certificates may enjoy mutually simplified procedures on issuing conformance certificates for imported/exported goods. There is no such agreement signed between Turkmenistan and the U.S. The fee for recognition of a foreign certificate is USD 25 (paid in manats).

A certificate of origin is required for all imported and exported goods. The customs authorities accept certificates of origin for import if they are

issued by designated bodies of the exporting country (e.g. Chamber of Commerce).

Beginning May 1, 1998, the GOTX introduced a sanitary certification requirement for imported food products. The State Sanitary and Epidemiological Inspectorate (SSEI) was assigned to oversee enforcement. Radiological, radiochemical and chemical tests of imported food products must be made by the SSEI which then issues certificates provided that an appropriate document confirming product quality and issued by the country of product origin is presented. If such a document is not available, imported food products will be tested in the Central Laboratory of Hygiene and Epidemiology.

Raw and ginned cotton to be exported from Turkmenistan is certified by the Cotton Inspectorate under the State Cotton Association.

Turkmenistan does not have any Preshipment Inspection arrangement.

### **Labeling Requirements**

So far, Turkmenistan has not introduced any restrictive packaging or labeling standard rules. However, due to the hot climatic conditions in summer, the government requires that labels for all food products, especially perishables, contain production and expiration dates. Also, the conformance certificates for food products must be accompanied with the product description in Russian language. Spirits and wines must be in glass bottles (plastic bottles are not accepted).

### **Prohibited Imports**

The Government has developed a list of goods that cannot be imported into Turkmenistan. The list includes the following items:

- (1) Handmade wool rugs (named Koshma)
- (2) Yurtas
- (3) Handmade carpets
- (4) Astrakhan pelts

### **Standards**

Turkmenistan joined the International Standard Association in 1991, and, in 1992, began to adhere to the Interstate Council on Standard, Metrology and Certification that covers CIS countries. Also, Turkmenistan became a member of the International Standard Organization (ISO) in 1993 and signed bilateral agreements on cooperation with the National Standard Agencies of Turkey and Iran. Intergovernmental agreements on standards, metrology and certification have been signed with Uzbekistan, Armenia and Georgia. Presently, the Turkmen conformance certificate is accepted in 14 countries.

Turkmenistan has developed "national standards" for locally produced goods. Since Turkmenistan is a member of the ISO, Turkmen national standards are developed to meet international standards requirements. As part of the CIS, Turkmenistan has accepted General Interstate Standards (GOST) and Technical Standards (TS), developed in accordance with an agreement reached between 12 CIS countries. Most of the GOST standards incorporate former Soviet Union standards.

### **Free Trade Zones/Warehouses**

According to the Law on Free Economic Zones, a special customs regime that includes duty free treatment for goods and property imported into and exported from free economic zones, with the exception of exported goods of foreign origin, is provided in the free economic zones. All goods and properties must be declared when imported into or exported from free economic zones.

### **Membership in Free Trade Agreements**

Turkmenistan is not a member of any free trade arrangements and is not a member of the CIS Customs Union. It has signed trilateral trade agreements with Iran and the Ukraine, Iran and Armenia, Iran and Bangladesh, Iran and the Philippines, and Iran and India and is interested in concluding more such trilateral agreements. In 1993, Turkmenistan signed and ratified a Most Favored Nation Trade Agreement with the United States, however, a dual tax treaty and bilateral investment treaty have not been signed yet. Turkmenistan is not a member of the World Trade Organization.

### **Customs Contact Information**

Mr. Meret Khalovezov, Chairman  
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Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 47-02-21, 47-04-56  
Fax: (993) (12) 47-04-77

Mr. Kurbangeldy Durdyyev, Head  
Ashgabat Customs Office (automobile and railway cargo deliveries)  
7 Sona Muradova Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 47-05-00, 47-02-09  
Fax: (993) (12) 47-00-45

Customs Post "Ashgabat-Cargo"  
Tel: (993) (12) 32-18-97, 32-16-47, 32-20-95

Customs Post "Khova Yollary" (air transportation)  
Ashgabat Airport  
Tel: (993) (12) 33-00-98, 51-14-73, 51-01-59  
Fax: (993) (12) 51-01-59, 51-01-25

## **Chapter VII: Investment Climate**

### **Openness to Foreign Investment**

Turkmenistan wants and needs foreign investment but the Government's heavy-handed controls and the lack of rule of law undercut this goal. Although a number of laws to attract foreign investment have been adopted, effective implementation still is lacking and Turkmenistan's transition to a market economy is proceeding slowly. The state sector still accounts for roughly 80 percent of economic activity and government economic policies are often highly interventionist. According to official statistics, the Government invested USD 5.4 billion in the economy between 1991 and 1997 as well as investing around USD 857 million in 1998. Although there have been some positive results, much of this money has gone, however, to non-profitable projects or projects that were poorly managed.

The Government officially welcomes foreign investment. However, it has not yet put in place the policies and regulatory structure that would create the climate needed to encourage investment and business development, although there has been some progress, notably in the oil and gas sector.

Existing foreign investment legislation features provisions on the government's role in attraction and coordinating foreign investment activity in Turkmenistan. The Law on Foreign Investment, amended in 1993, provides a legal framework for foreign investment protection. An investor must own an average of at least 20 percent of the capital in a company throughout a calendar year to be protected by the Law on Foreign Investment, unless an exception is approved by the Cabinet of Ministers. The Cabinet of Ministers also defines the economic sectors where foreign investors may be engaged in business activities.

In 1993, Turkmenistan introduced the Law on Foreign Concessions. Under this law, foreign concessions can be granted for onshore and offshore areas containing natural resources, and for investment in industrial enterprises that explore, develop, extract and use natural resources. Concessions from 5 to 40 years are granted on a competitive basis. Since the March 1997 passage of a new Law on Hydrocarbon Resources, the Government has granted concessions to several multinational energy companies to participate in the development of Turkmenistan's large oil and gas reserves through production sharing agreements and joint venture agreements).

Since 1991 Turkmenistan has been in the process of privatizing state enterprises involved in services, trade and catering, agriculture, food production and processing, building materials, and various other types of production. The small service sector and trade and catering entities were privatized immediately after independence in 1991. Small and medium-size state industrial enterprises have been offered for auction since 1997 but poor economic conditions along with constantly changing regulations and tax laws restrict the ability of local entrepreneurs to purchase these enterprises. The Government has unsuccessfully tried to attract foreign investment in larger state enterprises because it is attempting to privatize by creating joint ventures in which the state keeps a majority interest.

Turkmenistan tried to introduce competition for state contracts by announcing international tenders for some projects. However, it still lacks the technical and financial experience to manage tenders. In many cases Turkish companies have either become advisors to a resulting joint venture or were awarded contracts. When the World Bank and/or EBRD have been involved, the Government sometimes hired international consultants to provide advice on project tendering.

There have been cases in which trade contracts were granted for purely political reasons, with little regard for feasibility, economic viability, or the ability of the chosen company. There is as yet no broad acceptance of the concept of competition, there is also a noticeable tendency of Government entities, which are expected to produce income, to become involved in profitable new areas of economic activity, sometimes crowding out private sector competitors

#### **Right to Private Ownership and Establishment**

The Law on Ownership adopted in 1993 states that the right to ownership of all forms of property is recognized and protected by the state. The law

defines three categories of private ownership: by physical persons; by legal persons; and mixed private ownership based on incorporation of properties belonging to physical and legal persons. Foreign citizens and persons without citizenship have the right to own any property except for land. They may be allotted a plot of land for use but without the right of ownership. A Law on Distribution of Land for Private Ownership passed in December 1996 also allows foreign citizens to lease but not to own land. Turkmen citizens are eligible to own up to 50 hectares of land but they cannot sell, exchange, or transfer it.

Soon after Turkmenistan's independence in 1991, the Government recognized the importance of privatization in its transition to a market economy. In November 1991 the Mejlis adopted a Law on Joint Stock Companies and in February 1992 it enacted a Law on De-monopolization and Privatization. Privatization began in earnest in 1993 and focused first on privatizing small-scale service, catering and trading businesses. In 1994, the first full year of the privatization effort, 1,064 entities were privatized. Since then, however, the number of entities privatized decreased to 402 in 1995; 224 in 1996; 138 in 1997; and only 107 in 1998. During January-February 1999 an additional 27 entities were privatized. These figures indicate that the overall pace of privatization has slowed since the privatization of small-scale service, catering, and trade businesses. Medium-sized state-owned enterprises are being privatized more slowly due to high initial prices set for their sale. Large enterprises have not been privatized at all. According to the national institute of statistics and forecasting, at the end of 1998, 78 percent of the Turkmen economy remained either owned or controlled by the government.

Consumer service, trade and catering establishments constitute 96 percent of entities privatized since 1993. Only 33 manufacturing enterprises have been privatized, including one knitting factory which was sold for 43.2 billion manats (USD 8.2 million at the official foreign exchange rate). This single transaction represents 42.8 percent of the dollar value of privatized assets. Worker collectives bought 1,484 (76%) of the objects privatized through 1998; 457 were sold at auctions; and seven were privatized through direct negotiated sale. According to official statistics at the end of 1998 there were 24,000 registered small enterprises, up from only 5,360 in 1993 when the country's privatization effort began.

In March 1997 the Government issued a Presidential order and three Presidential decrees allowing privatization of industrial enterprises through the auctioning of small- and medium-size enterprises, the creation of joint stock companies for large enterprises, and the investment tendering of those industrial enterprises requiring capital for reconstruction and modernization. The order permits Turkmen and foreign companies as well as citizens to participate in privatization on an equal basis.

The Government auctions enterprises that have fewer than 100 workers and do not need significant investment. Larger state enterprises with more than 100 workers and significant assets will be transformed into private joint stock companies; the process of creating joint stock companies is still in its infancy.

A Presidential decree dated January 14, 1998, authorized the State Agency for Foreign Investment (SAFI) to handle issues related to the transformation of 18 large industrial enterprises under the Building Material Production Ministry, the Agriculture and Water Resources Ministry, the Textile Ministry, the Energy and Industry Ministry, and the State Food Production

Association into open joint stock companies. So far, none have been privatized.

The rate of privatization has slowed noticeably, most of the enterprises that are being privatized require investment for production modernization, and state financing of private investment projects is not easily accessible or provided at high interest rates. High initial prices for privatized entities is only one difficulty. Others include an underdeveloped legal basis for the development of entrepreneurship; a shortage of skilled auditors, managers and consultants; and lack of leasing services. Complexities of registration and licensing of enterprises, especially with foreign participation, manat convertability, and many other factors reduce the attractiveness of privatization for potential investors.

### **Protection of Property Rights**

The Law on Ownership provides guarantees and protection of ownership rights. The Law on Foreign Investment states that foreign investments in Turkmenistan are not subject to nationalization and requisition, therefore foreign properties may be confiscated only through referral to a court when illegal actions are undertaken by the foreign investor.

On September 30, 1993, the Government adopted a Law concerning the Protection of Scientific Research. On October 1, 1993, the Government passed a Patent Law that regulated patents for technical inventions, innovative proposals, and trademarks in the industrial sector and, on June 25, 1993, established the Patent Agency under the Cabinet of Ministers. The Patent Agency provides state policy for protection of industrial property rights, establishes the single patent system, and documents protecting inventions, industrial samples, and trademarks.

There is no requirement to register with the Patent Agency, but there are some advantages to applying for a patent in Turkmenistan. A patent document issued in Turkmenistan gives a company exclusive rights to use a particular innovation, trademark, technology, etc. furthermore, a company holding a patent in Turkmenistan is given favorable tax status provided that: the innovation is used in the company's own production; an innovation license was purchased by the patent holder; the innovation is used after a license has been purchased by the patent holder; and a new machine or piece of equipment was made based on the patented innovation. The Cabinet of Ministers determines the form and size of the favorable tax treatment.

The Law on Foreign Investment guarantees the protection of intellectual property of foreign investors including literary, artistic and scientific works, software and databases, patents and other copyrighting for inventions and industrial samples, technology, commercial secrets, and trademarks. Article 8 of the April 1993 most favored nation agreement between the U.S. and Turkmenistan provides for favorable treatment of copyrighted materials. The agreement envisages Turkmenistan's accession to the Bern Convention of 1971 for the protection of literary and artistic works and creation of a working group on intellectual property matters. To date, Turkmenistan has not joined the Bern Convention.

On January 19, 1995, Turkmenistan signed the World Intellectual Property Organization's (WIPO) 1883 Paris Convention on protection of industrial property rights and the international treaty on patent cooperation. Turkmenistan has also joined the Eurasian Patent Organization that was created as part of the WIPO for the CIS countries.

Effective March 1, 1999 a new Copyright Law was enacted as part of Turkmenistan's Civil Code. The law defines copyrighted products, the rights of owners of the copyrighted products, and provides their legal protection. There is, however, no agency responsible for enforcing the Copyright Law. Presently, articles such as videos, cassette tapes, and literature are freely copied and sold. However, both the supply and demand for American copyrighted materials appears to be minimal.

### **Adequacy of Laws and Regulation Governing Commercial Transactions**

New laws and amendments to existing ones are required in a number of areas including foreign investment, free trade economic zones, standards, customs, trade defense, and laws regulating legal infrastructure and enforcement. The current legal regime governing foreign investment is inconsistent, ambiguous, and inadequate.

The definition of foreign investment does not include other key foreign investors in the Turkmen economy such as lenders, lessors, suppliers, and joint ventures with foreign participation. Therefore, guarantees and benefits extended under existing foreign investment legislation cover only a limited set of foreign investors. There are no clear rules for expropriation, nationalization, and other takings. The legislation also provides no direction to the proper enforcement authority. In practice, the authority in charge is different from the one stipulated in the law. Decisions of international arbitration panels are not generally binding and enforceable in Turkmenistan. The absence of a clear and definitive statement of guarantees to foreign investors in the law conveys an impression to foreign investors of a lack of predictability, uncertainty, and cohesiveness of the legal framework. The existing foreign investment regime does not foster investor confidence and may be viewed as a barrier to market access by foreign service suppliers.

### **Foreign Trade Zones/Free Port**

According to the Law on Economic Zones for Free Entrepreneurship adopted in 1993 and amended in 1994, there are seven economic zones for free entrepreneurship in Turkmenistan including: Mary-Bayramali, Okarem-Cheleken, Turkmenabad-Seidi, Bakharden-Kizylarvat, Dashoguz Airport, Ashgabat-Annau, and Ashgabat-Bezmein. The Ashgabat International Airport, Serakhs, and Guneshli Turkmenistan zones were established later as free economic zones. The Serakhs zone was open in 1996 after construction of the Serakhs-Mashad railway. The International Airport zone in Ashgabat and the Guneshli Turkmenistan zone near Annau, were created in 1997.

The Law on Economic Zones for Free Entrepreneurship determines the legal regime for conducting business in these zones. It guarantees the rights of both foreign and domestic investors, forbids nationalization of enterprises and discrimination against foreign investors, and provides guarantees to foreign investors for repatriating after-tax profits and exporting production. There are no limits on profits a company may earn. Enterprises are permitted to set prices freely for all goods and services there. All enterprises are exempt from profit taxes for the first three years of profitable operation. Enterprises with foreign investment, greater than 30 percent of initial capital, will be charged a 50 percent profit tax rate during the first three years and 30 percent profit tax rate during the next 10 years. Profits reinvested in export-oriented and technically advanced enterprises are exempt from taxation.



The law also ensures a favorable customs regime within the economic zones of free entrepreneurship. Goods and properties imported into and/or exported from the zones are exempted from customs duties except for goods of foreign origin exported from these zones. Exported and imported goods and properties must be declared at the customs. Although customs duties have not been introduced for legal entities, excise taxes for certain goods are charged.

To date, these zones have not been fully operational. Far-reaching government direction of economic activity, a lack of government financial support, under-developed infrastructure, numerous registration procedures, and an embryonic private sector have resulted in very slow movement in developing commercial and business activity in all zones, with the exception of the Ashgabat Airport zone. This zone has a modern airport facility that allows it to develop transit cargo services and trade.

### **Major Taxation Issues Affecting U.S. Business**

Turkmenistan and the U.S. have not negotiated a bilateral dual taxation treaty. So far, the former USSR bilateral double taxation treaty has been honored in Turkmenistan and it will expire until such treaty between the governments of Turkmenistan and the U.S. is signed.

According to the Profit Tax Law, foreign investors with a permanent establishment in Turkmenistan must pay a 25 percent profit tax; a 15 percent tax on income from dividends, interest, copyrights, licenses, leases, royalties, and other income earned in any sector of the economy; and a 6 percent tax on income from international cargo transport. Foreign entities that do not have permanent establishments in Turkmenistan are subject to withholding tax at a rate of 15 percent on most types of income including dividends, interest, royalties, rents and services provided to Turkmen companies. Investors in the oil and gas sector must pay a 25 percent profit tax plus a negotiable royalty sum.

The Law on Foreign Investment states that investors who hold more than 30 percent of hard currency shares in an enterprise's capital fund are exempt from dividend tax. Enterprises are not required to pay the profit tax until the investors have received a full return on their original investment. Additionally, those who reinvest their profits are exempted from tax payments on the reinvestment capital. Customs duties are not charged on foreign investors' imported property if it is designated for production purposes or considered part of the enterprise's capital fund.

Social insurance fund contributions at a rate of 30 percent of local payroll should be remitted to the Tax Inspectorate on the day of payment of salaries to local employees. Salaries paid to expatriate employees are exempt.

The Value Added Tax Law requires foreign and domestic enterprises to pay a 20 percent tax on the volume of goods and services produced and /or sold in Turkmenistan. For imported goods and services, the VAT is charged from the difference between a trade contract price and the value of goods and services sold in Turkmenistan.

Foreign entities must pay the property tax of 1 percent of the net book value of assets and the excess wage tax of 50-60 percent of local payroll above low statutory limits.

## **Performance Requirements and Incentives**

There are no consistently applied performance requirements imposed on foreign investors for establishing, maintaining, or expanding investment, or for access to tax and investment incentives. Contract provisions are generally negotiated on a case-to-case basis. The only general requirement is that construction contracts with foreign companies must include provisions allocating 30 percent of the contract value to local contractors. There are exceptions to this requirement, though: foreign construction companies executing large-scale projects for the government, such as the French company "Bouygues," currently building the Palace of Congresses in Ashgabat and several ministry buildings, are exempted by the Government from this requirement. All contracts with foreign participation must be registered with the Chief Tax Inspectorate.

There are no requirements set for local sourcing or exporting specific percentages of output. Each contract is different depending on the sector and the political climate when the contract is negotiated. Thus far, primarily because there are few private enterprises in Turkmenistan, a government partner has been included in all joint ventures and joint stock companies.

## **Transparency of the Regulatory System**

The government's desire to regulate economic and commercial transactions creates impediments to investment. Personal relations with Government officials often play a decisive role in acquiring a contract or running a successful business. Since investment contracts are concluded on a case by case basis, it is difficult for the investor to identify a clear set of rules that apply and that will apply over the term of the investment.

A Law concerning Hydrocarbon Resources adopted in March 1997 was a step toward creating a more transparent policy in the oil and gas sector. This law provides a detailed legal framework for conducting oil and gas business in Turkmenistan. Under this law, three types of licenses can be issued on the basis of tender results or direct negotiations: an exploration license, an extraction license, and a single exploration and extraction license. Two types of agreements can be signed for oil production: a production sharing agreement and a joint venture agreement.

The 1997 privatization order and decrees are the government's attempt to outline the basic principles of Turkmenistan's privatization process and procedures and to make them publicly accessible. Although these measures appear transparent, they have not, for reasons discussed above, been effective in promoting medium- and large-scale privatization.

## **Corruption**

Turkmenistan does not have laws, regulations or penalties to combat corruption effectively. High-ranking government officials have been replaced ostensibly because of corruption but most have never been formally charged with a crime. Violent criminal organizations, that often interfere in the conduct of normal business affairs, although found elsewhere in other CIS countries, do not operate in Turkmenistan.

U.S. firms have identified widespread government corruption, usually in the form of bribe requests, as an obstacle to investment and business throughout all economic sectors and regions. Several cases are known when local

authorities kept local businessmen imprisoned without any charge until authorities received money.

## **Labor**

As of January 1, 1999, Turkmenistan's population was officially 4,993,500 which is 12 percent higher than 1995. The actual population figure could be much less than the above figure due to the continuing migration of the Russian speaking population from Turkmenistan and a reduction of the birth rate caused by worsening economic conditions. According to official statistics, for 1998, 41.5% of the working population was employed in state enterprises and organizations, 25.9% in peasant amalgamations (former kolkhozes and sovkhoses), 1.4% in state consumer cooperatives, 6.7% in private enterprises, 0.1% in private cooperatives, 0.3% in public organizations, 0.7% in joint ventures, 19.2% in subsidiary small-holding, and 4.2% self-employed. About 44.7% or 2,234.5 thousand people reside in cities and small towns and 55.3% or 2,759 thousand in rural areas. There are 1,146.8 thousand people living in the Mary Velayat, the most populated region in Turkmenistan, and 424.7 thousand in the Balkan Velayat, the least populated region.

Turkmenistan inherited a trade union system from the Soviet Union. The role of these professional unions in society and economic activity, however, is very limited. The Government is concerned about unemployment and underemployment. To avoid unemployment while beginning mass privatization, the Government has retained the right to control employment in privatized enterprises. The provision on privatization of state industrial enterprises states that the Ministry of Economics and Finance is authorized to mandate minimum quantities of workers that must be maintained by new owners of privatized enterprises for a specified period of time.

According to the last census, in 1995, the unemployment rate was about 3 percent of the labor force. Although the official employment rate is low, there is considerable disguised unemployment. The U.N. estimates unemployment at 50 percent. Moreover, one reason that employment in agricultural sector remains high is that alternative opportunities are lacking. Although there are no official statistics on youth employment, it is of increasing concern.

In 1997, a Presidential decree created "labor exchanges" or employment offices to maintain a data bank on vacancies available in various state organizations and enterprises and to register people looking for jobs. The labor exchanges operate as self-sustaining entities under Khakimliks (mayors' or governors' offices in each city, district, or region). Ministries and organizations are expected to hire from the list of those who have registered at a local labor exchange. As of December 1, 1998, there were 72,281 people registered with labor exchanges in Turkmenistan.

The normal workday in Turkmenistan is eight hours and the standard workweek is 40 hours. The minimum age for employment of children is 16; in a few heavy industries it is 18. Labor Law prohibits youths aged 16 through 18 from working more than 6 hours a day and then only with the permission of the trade union and their parents. During the cotton harvesting season, teenagers often work in the fields.

The Law on the Legal Status of Foreign Citizens in Turkmenistan permits foreigners to reside permanently in Turkmenistan if they have government permission and a residence permit issued by the police. Unless otherwise

specified by law, foreigners can be employed based on the same rules and regulations governing Turkmen citizens' employment in the country. Foreigners can also possess a house or any other property in Turkmenistan except land. The Ashgabat mayor's office recently began selling apartments available in the capital; foreigners may buy them.

Turkmenistan joined the International Labor Organization in 1993.

### **Efficiency of Capital Markets and Portfolio Investment**

There is no private capital market in Turkmenistan. There are several state investment funds created to accumulate and reinvest hard currency for the oil and gas industry and mineral resources, agriculture, telecommunication and transportation, education, and healthcare. None of these funds is permitted to issue securities for public distribution. These investment funds work closely with SAFI and Vnesheconombank, the primary fiscal agent of the Government for foreign investment and import/export projects.

The Law on Securities and Stock Exchanges, adopted in 1993, outlines the main principles of securities issuance and circulation and addresses basic provisions on stock exchange operations. It orders that securities must be registered with the Ministry of Economics and Finance. Since there are no stock exchanges established, securities can be bought or sold through the State Commodity and Raw Materials Exchange (SCRME), though this has yet to occur. So far, more than 120 securities and bonds have been issued in Turkmenistan. State bonds and securities can be obtained from authorized commercial banks such as Turkmenvnesheconombank, Bank "Turkmenistan", Investbank, Daykhanbank, Bank "Rossiyskiy Kredit", and Sberbank (Savings bank). Although the Central Bank and some commercial banks, have attempted to issue government and commercial bonds, the low purchasing power of the population and distrust of local banks have made such transactions unpopular and not commercially lucrative.

All Turkmen banks are state owned, including commercial joint stock banks, and are not capable of playing a key role in the capital market development. Three major state banks--Turkmenistan, Investbank, and Daykhanbank-- are specialized in social, industrial, and agricultural areas, respectively. The remaining Turkmen banks are small entities licensed to provide banking services for small and medium-scale business projects. Local firms, in theory, have access to credits from local commercial banks, but these banks have made few loans. The Central Asian-American Enterprise Fund (CAAEP) and the European Bank for Reconstruction and Development (EBRD) have both opened credit lines for Turkmen private enterprises.

During the first wave of the government's attempts to move toward market economy in 1991-1994, the Government turned some state entities involved in industry, banking, and trade into joint stock companies by simply changing names and dividing the enterprises' assets into common stocks and by January 1, 1998, there were 300 joint stock companies in Turkmenistan. Due to continuing government controls, they could not fully benefit from the right to issue stock. According to the privatization and state property administration, in 1998 three joint stock companies were created. The Ministry of Economics and Finance, a founder and a stockholder of these companies, may sell stocks to private Turkmen and foreign entities as well as individuals. So far, foreign companies have shown no serious interest in investing capital in virtually bankrupt local enterprises. The development of a successful securities market will depend on the success of the

privatization process, on the establishment of new viable private firms, on development of the banking sector, and on overall economic reforms.

The U.S. EXIM Bank does not consider short and medium-term U.S. export financing for projects in Turkmenistan without a sovereign guarantee from the Turkmen Government. A number of American companies have used EXIM Bank funds or guarantees in the past to finance their sales to Turkmenistan.

### **Conversion and Transfer Policies**

The Foreign Exchange Regulation Law determines general principles of foreign exchange operations, the authority of state bodies in foreign exchange regulation, and the rights of residents and non-residents regarding foreign exchange ownership and usage. According to this law, non-residents may freely convert the national currency, the manat, to hard currency without limitations or unreasonable delays, provided the amount is needed to pay for transactions made with Turkmen residents. The law also permits non-residents to repatriate capital goods previously imported into Turkmenistan, provided such goods were declared to customs upon entry. In practice, however, due to the shortage of hard currency the Central Bank provides commercial banks with limited amounts of foreign exchange to convert cash and non-cash manat sums. Not all requests for manat convertability are serviced timely and in full amounts. That results in delays in receiving hard currency incomes and impedes doing business.

A company may apply to a commercial bank to cover the amount of money to be converted with the following documents:

- an application indicating the amount of hard currency to be purchased;
- a trade contract where payment terms envisage either payment for actual shipment of goods or letter of credit (contracts where prepayment terms are envisaged are not considered);
- a customs declaration confirming cargo availability;
- a banking document confirming currency availability in either local or foreign bank accounts.

The commercial banks licensed to deal in hard currency submit their applications for money convertability to the Interbank Foreign Exchange (IFE).

A Presidential Decree issued on December 3, 1998 has stopped free currency exchange and approved a temporary provision limiting hard currency exchange operations. The provision provides rules and regulations concerning cash and non-cash hard currency exchange for individuals and legal entities in Turkmenistan. According to the provision, only three categories of Turkmen citizens are eligible to exchange manats into hard currency in cash at the official exchange rate in commercial banks. (Note: As of August 1, 1999, the official exchange rate in the Central Bank was 5,200 manats against dollar. End note.) These categories are: (1) sick people who need clinical treatment outside of Turkmenistan providing a person is enrolled in a list made by the expert commission of the Ministry of Healthcare and Medical Industry; (2) students who study abroad providing the Education Ministry confirms their enrollment; and (3) state employees who go abroad for a business trip providing a letter from an appropriate ministry or state organization approved by an appropriate Deputy Chairman of the Cabinet of Ministers is provided. For the rest of the population, the gray market is the only option for hard currency.

The Central Bank allows commercial banks to sell non-cash foreign exchange at the official exchange rate to legal entities that are resident in Turkmenistan only for the following purposes: (1) to pay off foreign credits extended to Turkmenistan under the Turkmen government sovereign guarantee; (2) to repatriate foreign investments and profits providing an investment projects registered with the State Foreign Investment Agency (SAFI) and the Chief State Tax Inspectorate (CSTI); (3) to purchase medicines and medical items that are listed in a list approved by the Cabinet of Ministers; (4) to purchase raw materials and other products needed for production of goods and services; (5) to pay off debts on foreign credits for the promotion of private goods and services production in Turkmenistan and for the purchase of raw materials, products and spare parts needed for projects that are implemented under these credit lines; and (6) to purchase consumer goods and food products (except for spirits, alcohol and tobacco) by special-purpose shops provided an obligatory contract on daily sales proceeds transfer is signed between these shops and commercial banks.

From 1996 until late 1998, the official foreign exchange rate has remained relatively stable at 5,100-5,300 manat to the dollar. As of October 1998, however, an active manat/dollar parallel market has arisen; this rate has gone as high as 19,000 manat/dollar in April and was 14,500 manat in August.

### **Expropriation and Dispute Settlement**

Turkmenistan's outstanding investment and commercial disputes have three common themes: non-payment of debts, non-delivery of goods or services, and contract renegotiations. Turkmenistan's unfamiliarity with international commercial norms means that contract terms and definitions must be spelled out in great detail. Such precautions have not prevented the Government from reevaluating signed contracts and insisting on renegotiation of profits, management relationships, and payment schedules. In the past, if the individual Minister or Deputy Chairman of the Cabinet of Ministers who signed the contract was replaced, all contracts signed by that individual were subject to reexamination. There is no track record yet for contracts approved by the State Agency for Foreign Investment (SAFI). To date, the Government has not expropriated property of foreign investors.

There have been a number of disputes between the Government and U.S. companies that sell equipment and services. All of these disputes are linked to the government's decision not to honor signed contracts as originally written. Almost all involve the Ministry of Agriculture and the Ministry of Oil and Gas Industry and Mineral Resources, two areas of focus for U.S. company dealings in Turkmenistan.

Currently, there is no legal system in place for the effective enforcement of property and contractual rights. Therefore, disputes must be worked out directly between the Turkmen Government and the investor. The Government has adopted a new Civil Code which took effect March 1, 1999. The Code, which was prepared with the advice of western legal experts, addresses such issues as ownership, contract rights, mortgage, collateral, deposits, leasing, franchising, copyright and property rights. Turkmen officials and businessmen are not yet familiar with the terms of the new code. Time and training will be necessary if the code is to be effectively applied. As a first step, a Presidential decree of July 17, 1998 ordered a public register body to be formed for the purpose of assigning rights of real estate ownership. It will become operational by January 1, 2000 and the Cabinet of Ministers will work on adjusting existing legal acts and rules to the standards of the Civil Code. The weakness of legal rights in Turkmenistan

means, however, that the Government is still able to do what it chooses regardless of formal protections.

Turkmenistan is not a member of the International Center for the Settlement of Investment Disputes or the New York Convention of 1958 on the recognition and enforcement of foreign arbitration awards. However, most contracts negotiated with the Government do have an arbitration clause.

### **Political Violence**

Turkmenistan's eight years of independence have been marked by political stability. There have been no incidents of politically motivated damage to projects or installations. There is no organized political opposition and there are no nascent insurrections.

### **Bilateral Investment Agreements and OPIC Programs**

The Governments of Turkmenistan and the U.S. began negotiations on a Bilateral Investment Treaty, but talks were suspended in early 1994. In early 1998, the Government expressed its interest in renewing the talks, but preparations for commencing negotiations are only at the very initial stage. Turkmenistan has also expressed interest in signing a Dual Taxation Treaty with the U.S., but to date no discussions have taken place.

Turkmenistan has signed an agreement with the U.S. Overseas Private Investment Corporation (OPIC). Thus far, there is no OPIC activity in Turkmenistan, although some OPIC involvement is expected in connection with the construction of a Trans-Caspian gas pipeline.

### **Major Foreign Investors**

The Government does not publish statistics on direct foreign investment in Turkmenistan. Turkmen officials generally blur the line between trade and investment. In fact, there are very few "investors" in the sense of having an equity share in a local enterprise. Below is a general picture of foreign investment activity in Turkmenistan with estimated figures provided primarily by local newspapers.

Among the major foreign traders and investors doing business in Turkmenistan, Turkish construction firms rank among the most active. According to the Turkmen press, in 1998, more than 150 construction projects estimated at USD 3.6 billion were carried out in the country. The largest projects (70 percent of the total) are in the oil and gas, textile, and food production industries. Out of the USD 3.6 billion, only 10.9 percent is foreign direct investment.

To date, American companies have primarily been active in exporting U.S. goods and services to Turkmenistan. Most of the trade transactions between the two countries are in the agriculture, transportation and energy sectors. Thus far, there have been few direct U.S. investments in Turkmenistan. In 1998, Mobil Oil in alliance with Monument Oil (Great Britain) signed a production sharing agreement with the State Turkmenoil company and invested more than USD 40 million in the development of the Burun oil field in western Turkmenistan. In July 1999 Mobil received a license to explore the Garashsyzyk oil field and plans to increase its investment in Turkmenistan to up to USD 500 million in the future. In 1998, Coca Cola invested USD 13.85 million in a joint venture "Turkmenistan Coca Cola Bottlers Ltd." with

the State Food Production Association to reconstruct the Ashgabat beverage production plant to produce Coca-Cola brand beverages in Turkmenistan.

There are other foreign companies that have invested in Turkmenistan. The Malaysian oil company Petronas has invested around USD 60 million since 1996 to explore and develop three offshore oil fields in the Caspian sea (Block I). The Chinese Oil Corporation invested USD 14 million to restore and overhaul 30 oil wells. Monument Oil plans to invest USD 55 million in 1999 in the development of the Burun and Garashsyzyk oil fields. Since 1993, Dragon Oil, an Irish company, has invested around USD 125 million in the Larmag Cheleken joint venture with the State Turkmenoil company to develop two offshore oil fields in the Caspian Sea (Block II). In 1996, EBRD became a part of the first private foreign investment joint venture investing ECU 28 million to expand a textile plant created by GAP-Turkmen joint venture. Adjanta Pharma Ltd., an Indian company, built a new pharmaceutical plant in Ashgabat and invested USD 2.5 million in this project.

Turkmenistan's official 1998 statistics on construction projects with foreign investment reported the following projects:

- Kotam Enterprises (Turkey) invested about USD 16 million in construction of a terry fabric production factory in Bayramali;
- Ahmet Chalik Group (Turkey) invested USD 44 million in construction of a textile complex in Ashgabat etrap;
- Nikisi (Iran) invested USD 152 million in construction of the Korpedje-Kurt Kui gas pipeline.

Among the foreign companies working in Turkmenistan, Turkmen newspapers list such companies as the German Mannesman, Siemens and Alcatel; the French Centrocommerce International and Bouygues; the Israeli Merhav; the Turkish Alarko, Mensel, Polimex, and Akhmed Chalyk Group; the British John Laing and Monument Oil; the Malaysian Petronas; the American Exxon, Mobil, Pipeline Solution Group (PSG), Halliburton, Western Atlas, Boeing, John Deere and J.I. Case; and the Japanese Chiodo and Nichimen.

On February 19, 1999, the Government chose PSG, a joint venture between Bechtel and GE Capital, to lead the Trans-Caspian Pipeline (TCP) consortium. The TCP will transport natural gas 1,800 kilometers from Turkmenistan westward under the Caspian Sea across Azerbaijan and Georgia to Turkey. PSG and its consortium partner, Royal Dutch/Shell Exploration, are expected to arrange financing and manage construction of the estimated USD 2.5 billion project.

#### **Turkmenistan Contact Information for Investment-Related Inquiries**

U.S. companies are recommended to contact the State Agency for Foreign Investment for trade and/or investment project registration at the following address:

Mr. Yolly Gurbanmuradov, Director

Tel: (993) (12) 35-04-10, 35-04-16

Fax: (993) (12) 35-04-11, 35-03-23

Mr. Dovlet Khojamukhamedov, Deputy Director (oil and gas projects)

Tel: (993) (12) 35-03-15

Mr. Emir Kuliev, deputy director (industrial, agricultural, telecommunications and other sectors, registration issues)

Tel: (993) (12) 39-10-54

53 Azadi Street, Ashgabat, Turkmenistan 744000



Oil and gas business proposals should be addressed to the following ministries and agencies:

Mr. Rejepbay Arazov, Executive Director  
Mr. Rashid Rejepov, Deputy Director  
Competent Body for Hydrocarbon Resource Development  
53 Azadi Street, Ashgabat, Turkmenistan 744000  
Tel/Fax: (993)(12)35-03-16, 35-04-14, 35-04-15

Mr. Rejepbay Arazov, Minister  
Ministry of Oil and Gas Industry and Mineral Resources  
28 Neutral Turkmenistan Street  
Ashgabat, Turkmenistan 744000  
Tel: (993)(12)35-35-31  
Fax: (993)(12)51-04-43

Mr. Saparmurad Veliev, State Minister, Chairman  
State Turkmenoil Company  
49 Makhtumkuli Street, Nebitdag, Turkmenistan  
Tel/Fax: (993)(12)51-15-81, 39-38-34

Mr. Guychnazar Tachnazarov, State Minister, Chairman  
State Turkmengas Company  
1 Mollanepes Street, Ashgabat, Turkmenistan 744000  
Tel: (993)(12)35-59-59  
Fax: (993)(12)35-72-81

Mr. Rejepdurdy Ataev, State Minister, Chairman  
State Turkmennebitgasgurlyshyk Company (oil and gas construction)  
5 Mollanepes Street  
Ashgabat, Turkmenistan 744000  
Tel: (993)(12)35-58-65, 35-60-01  
Fax: (993)(12)51-04-66

Mr. Berdymurad Rejepov, State Minister, Chairman  
State Oil and Gas Trade Corporation  
28 Neutral Turkmenistan Street  
Ashgabat, Turkmenistan 744000  
Tel: (993)(12)39-38-35, 51-04-60  
Fax: (993)(12)39-59-70

Trade and investment projects involved in agriculture, food, fruit and vegetable production and processing, telecommunications, electrical energy generation, chemical industry, healthcare and medical industry, rail and highway construction, autotransportation, textile industry, tourism and other industries should be addressed to the following government ministries and agencies:

Mr. Serdar Babaev, Minister  
Agriculture and Water Resources Ministry  
63 Azadi Street, Ashgabat, Turkmenistan 744000  
Tel/Fax: (993)(12)35-66-91, 35-36-32

Mr. Kakajan Ovezov, Head  
Food Production Association  
109 Makhtumkuli Street, Ashgabat, Turkmenistan 744000  
Tel: (993)(12)35-18-25

Fax: (993) (12) 51-19-82

Mr. Durdy Karov, Head  
Fruit and Vegetable Production Association  
3 Tretya Pyatiletka Street, Ashgabat, Turkmenistan 744000  
Tel/Fax: (993) (12) 32-54-89

Mr. Rovshan Kerkavov, Minister  
Communications Ministry  
40 Neutral Turkmenistan Street, Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-21-53  
Fax: (993) (12) 39-04-20

Mr. Saparmurad Nuriev, Minister  
Energy and Industry Ministry  
6 Pomma Street, Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 51-08-82, 35-38-70  
Fax: (993) (12) 39-06-82

Mr. Kurbanguly Berdimukhamedov, Minister  
Healthcare and Medical Industry Ministry  
90 Makhtumkuli Street, Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-10-63  
Fax: (993) (12) 35-50-32

Mr. Senaguly Rakhmanov, Minister  
Autotransportation Ministry  
2 Baba Annanov Street, Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 47-49-92, 47-40-31  
Fax: (993) (12) 47-94-80

Mrs. Djamal Geoklenova, Minister  
Textile Ministry  
52 Annadurdyev Street, Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-25-88, 35-54-42  
Fax: (993) (12) 35-32-28

Mr. Mered Gutlyev, Head  
National Railroad Company  
7 Turkmenbashi Street, Ashgabat, Turkmenistan 744000  
Tel/Fax: (993) (12) 35-55-45, 47-39-37

Mr. Toyli Kurbanov, Head  
State Tourist Corporation "Turkmensiyakhat"  
17 Pushkin Street, Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 39-86-91  
Fax: (993) (12) 39-67-40

Mr. Nurmurad Kulmuradov, State Minister, Chairman  
State Highway Construction Company "Turkmenautoyollary"  
First Kilometer of Firuzinskoe Shosse  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 34-84-16  
Fax: (993) (12) 34-84-92

## **Chapter VIII: Trade and Project Financing**

### **Description of the Banking System**

The banking system in Turkmenistan is based on a number of basic laws addressing the financial and monetary policy of the state, including the Law on the Central Bank of Turkmenistan, the Law on Commercial Banks and Banking Activity, the Law on Foreign Exchange Regulation, and the Law on the Monetary Unit of Turkmenistan. The banking system consists of the State Central Bank of Turkmenistan; five state banks: the State Bank for Foreign Economic Affairs (also known as Vnesheconombank), the State Commercial Bank "Turkmenistan", the State Commercial Investbank, the State Commercial Daykhanbank, and the State Savings Bank (Sberbank); 4 joint stock commercial banks, and two joint banks with foreign participation. There are the Iranian Commercial Bank "Saderat" and a representative office of Deutsche Bank operating in Ashgabat.

The Central Bank is the National Bank and acts on behalf of the government. According to the Law on the Central Bank, the Bank is independent from any state power and administrative bodies. It is responsible for formulating and conducting monetary and foreign exchange policy; licensing banking activity; supervision and regulation of the banking system; management of international financial reserves of the country; and development of the efficient banking settlement system. The Central Bank is the banker, advisor and fiscal agent of the Cabinet of Ministers. In addition, the Bank is charged with setting interest rates and for administering subsidies to the priority sectors of the economy. The Central Bank is also responsible for running the weekly currency exchange auctions in cooperation with the Foreign Exchange Committee chaired by the Deputy Chairman of the Cabinet of Ministers for Banking and Foreign Exchange. The Interbank Commission, chaired by the same Deputy Chairman, controls foreign exchange circulation and distribution and regulates the activities of commercial banks. The Central Bank is responsible for the supervision of commercial banks. It has implemented a cautious licensing policy and has also closed a number of smaller banks in recent years. The Bank has introduced regulations on banking supervision including: a) a minimum capital requirement of 500 million manat for smaller banks and from 500 million manat to 1 billion manat for larger banks. Branches of foreign banks have a minimum capital requirement of USD 1 million; b) a capital adequacy requirement of 8% of risk-weighted assets, defined in line with internationally accepted standards; c) a liquidity ratio of 30% of liabilities, to be held in cash deposits with the Central Bank, loans receivable within 30 days, or treasury bills; d) a concentration risk ratio, limiting loans to a single borrower to 20% of paid-up capital; and e) loan classification and extension rules based on the duration for which the loan repayment is overdue. The Central Bank received technical assistance in bank supervision from the World Bank and the International Monetary Fund in 1997-1998.

The State Bank for Foreign Economic Affairs (Vnesheconombank) is the key institution for foreign businessmen and investors, as well as local exporters. It dominates import/export and investment operations and is a member of the International Payment Cards Association. The Vnesheconombank has signed an agreement with Standard and Poors concerning awarding Turkmenistan an international sovereign credit rating. Vnesheconombank is the primary fiscal agent for the GOTX that secures financing for all government commercial transactions and handles all foreign exchange operations. Vnesheconombank closely works with SAFI and the state development funds. In 1998, the bank's total assets amounted to USD 1.26 billion. It is the only bank in Turkmenistan that works with VISA cards.

State Commercial Turkmenistan Bank, Investbank, and Daykhanbank focus on certain areas of economic activity; in particular, Turkmenistan Bank deals with financial operations made in social infrastructure; Investbank deals with industrial project financing; and Daykhanbank deals with agricultural transactions. All state entities are ordered to work only with state commercial banks.

Most of the Turkmen commercial banks are small- and medium-sized with almost 100% of the shares in their founding capital belonging to various state enterprises. In addition, the Government has a 50% share in any joint venture with a foreign bank. All banks, including foreign banks, may operate only if they are licensed by the Central Bank of Turkmenistan. Three state commercial banks, the Joint Stock Commercial Senagat Bank, the International Joint Stock Bank of Turkmenistan for Reconstruction, Development and Promotion of Entrepreneurship, the Joint Stock Commercial Garashsyzlyk Bank, the Turkish-Turkmen Joint Commercial Bank, the Russian-Turkmen Joint Stock "Rossiysky Kredit" Bank, and Sberbank have licenses from the Central Bank enabling them to carry out foreign exchange operations.

Turkmenistan has no tradable financial instruments and no non-bank financial institutions, although insurance companies are gradually developing. The commercial banks play only a minor role in financial intermediation and continue to function more as administrators of public sector financial transactions. Manat credits are financed primarily by the Central Bank and are short-term. There continues to be a general lack of confidence in local banks.

#### **Foreign Exchange Controls Affecting Trade**

In the past, foreign companies doing business in Turkmenistan had difficulty converting the national currency into hard currency. Some companies could not even receive manat coverage for a transaction made in Turkmenistan because of a shortage of both local and hard currency. Therefore, most trade transactions in the past were made on a barter basis (usually, payments were made in cotton). Now, all barter transactions are controlled by the Cabinet of Ministers.

In 1997, the foreign exchange rate became single and unified at 5,300 manat against the dollar and was stable until July 1998. At that time, a gap began to develop between the official rate and the black market rate, which peaked at 19,000 manat per dollar in April 1999 and has been fluctuating between 14,000 and 15,000 manat in July. All domestic trade is done in manat. Foreign companies may convert the manat into hard currency through their commercial banks. There are certain criteria that are taken into consideration when the Central Bank provides foreign exchange through its Interbank Currency Exchange to meet the commercial banks' needs in hard currency. (See paragraph "Conversion and Transfer Policies" in the Investment Climate Statement.)

The Central Bank licenses foreign exchange operations by commercial banks and guarantees the security of foreign investors' deposits, stocks, securities and other payment documents kept in commercial banks.

#### **General Financing Availability and Terms of Payment**

The Central Bank extends credits in manat to the government and banks, and in manat and foreign currency to non-budget ministries and state enterprises. Most of these credits are interest free. The internal

financial market in Turkmenistan is heavily supported by the state: state entities hold majority shares in most Turkmen commercial banks. However, due to the tough monetary policy of the Central Bank and general improvements made in banking services, most of the banks have increased their own capital. As a result, commercial banks have activated project or trade financing services. However, there are difficulties that prevent commercial banks from expanding their investment activities. Among the difficulties are a lack of stimulus for long-term investment; inexperience of heads of enterprises in management, and, at times, their failure to honor contracts; lack of a well-established mechanism of debt payment by enterprises; and a shortage of skilled banking specialists. High interest rates for credits are a significant obstacle for local entrepreneurs in expanding their commercial activities.

A few Turkmen commercial banks are experienced in working with letters of credit (Turkmenbank, Investbank, and Senagat Bank). To date, this method of payment has been the safest one. Payment based on actual shipment of goods or work performance is another method used in Turkmenistan. The Government does not allow commercial banks to service transactions on a prepayment term.

To finance large commercial projects involving foreign and Turkmen state companies, the Government uses foreign credits extended by foreign governments and international financial institutions. Vnesheconombank handles all transactions involving foreign credits.

#### **Types of Export and Project Financing and Insurance Available to U.S. Companies**

1. The Export-Import Bank of the United States (U.S. EXIM Bank) is an independent U.S. government agency that provides support for U.S. exports through export credit insurance, loan guarantees, direct loans, working capital guarantees, and project financing. The Bank assists only the export of goods and services with at least 50% U.S. content. Under medium- and long-term programs, if the U.S. export product contains foreign-made components, EXIM Bank will cover up to 100% of the U.S. content, provided EXIM Bank's support does not exceed 85% of the export price. Short- and medium-term export credit insurance and project financing are available to Turkmenistan. So far, for short-term transactions, EXIM Bank has been requiring an ILC or guarantee from the Vnesheconombank and extended \$424 million to Turkmenistan. In April 1998, EXIM Bank signed a framework agreement on financing creditworthy projects in Turkmenistan. The agreement envisages that the Bank will provide financing for export projects involving private companies without requiring government guarantees, but to date all financing has required government guarantees.

2. The Overseas Private Investment Corporation (OPIC) is a self-sustaining independent agency of the U.S. government that promotes economic growth in developing countries by encouraging U.S. private investment. OPIC facilitates U.S. investment through the following basic programs: financing of investments through direct loans and loan guaranties; insuring investments against political risks; and providing a variety of investor services. In 1993, Turkmenistan signed an OPIC agreement but, to date, there has been little U.S. direct investment in Turkmenistan and no OPIC program involvement.

3. The International Finance Corporation (IFC), an independent member of the World Bank Group, is the largest source of direct project financing for

private investment in developing countries. In the CIS countries, IFC normally invests in projects with a total cost greater than \$25 million and requires that a project generate hard currency. In 1996, Turkmenistan joined the International Finance Corporation, but is not a member of the Multilateral Investment Guarantee Agency.

4. The U.S. Trade and Development Agency (TDA) is an independent U.S. government agency that provides non-reimbursable grants for U.S. firms to carry out feasibility studies for both public and private sector projects. In Turkmenistan, TDA has extended grants in the oil and gas, minerals and telecommunications sectors.

5. The European Bank for Reconstruction and Development (EBRD) is a multilateral financial institution that lends and invests exclusively in the countries of Central and Eastern Europe. The bank provides advice, loans, equity investments and debt guarantees in order to foster the transition toward open market-oriented economies and to promote private and entrepreneurial initiative. In Turkmenistan, EBRD has opened a \$35 million credit line available for small- and medium-size project financing. The bank has invested its equity in a textile production complex, and arranged tenders for a number of projects in Turkmenistan.

6. Central-Asian American Enterprise Fund (CAAEEF) has an office in Ashgabat which provides assistance to businesses through three primary activities: direct investment program including direct investments and loans to qualified private enterprises and start-up ventures; joint ventures; and small business loan program. The Fund's investments range from a minimum of USD 100,000 to a maximum of USD 5,000,000 with both transactions combining both loans and equity. CAAEEF also offers various forms of technical assistance, including business plan development, to new private businesses.

7. The U.S. Caspian Finance Center was opened in Ankara, Turkey, to assist American companies to enter the energy rich market of the Caspian region. The center handles businesses of three U.S. trade and finance agencies: U.S. TDA, U.S. EXIM Bank, and OPIC. Working with the commercial and economic officers of the Departments of Commerce and State, the multi-agency trade finance team offers services designed to maintain U.S. commercial interests in the region and better position U.S. firms over foreign competition.

#### **Types of Projects Receiving Financing Support**

Turkmen official 1998 statistics state that only 2% of total credit extended in the national currency to local state and private enterprises by Turkmen commercial banks were for a term of 5 to 7 years and 98% were short term (from one month to 3 years). It should be noted that, so far, state enterprises have dominated the economic structure of Turkmenistan. Therefore, most credits have been granted to state enterprises. Short-term credits have been provided to primarily small- and medium-size state and private enterprises. About 28.4% of short-term credits covered agricultural production projects, 25.3% industrial production, 6.6% trade transactions, and 2% construction projects.

EBRD has extended an ECU 32 million credit line for small and medium-size enterprises since 1996. It provides hard currency term financing through selected participating banks including Investbank, Senagat Bank, and Garashsyzyk Bank. Priority is given to industrial, agricultural, textile and various service development projects.

During 1998 and the first half of 1999, Central Asian-American Enterprise Fund disbursed USD 4.3 million to private Turkmen firms through local banks including Daykhanbank, Investbank, Senagat Bank, and Turkmenistan Bank. The CAAEF provides financial support (the preferred size is from USD 50,000 to USD 300,000) to businesses involved in primarily food processing, consumer goods production, services, and light manufacturing.

#### **List of Banks with Correspondent U.S. Banking Arrangements**

(Full contact information is provided in Appendix E: U.S. and Turkmenistan Contacts.)

Central Bank	- Chase Manhattan, New York - Citibank N.A., New York - Deutsche Bank, New York
Vnesheconombank	- American Express Bank Ltd., New York - Bank of America Int'l, New York - Bankers Trust Company, New York - Bank of New York, New York - Chase Manhattan Bank, New York - Chemical Bank, New York - Citibank N.A., New York - Credit Lyonnais, New York - Republic National Bank of New York, New York
Investbank	- Bank of America Int'l, New York - Chase Manhattan Bank, New York - Citibank N.A., New York and Frankfurt/Main, Germany
Turkmenbank	- Citibank N.A., New York - Bankers Trust Company, New York
Daykhan Bank	- Citibank N.A., New York - Bank of New York, New York - Chase Manhattan Bank, New York

## **Chapter IX: Business Travel**

### **Visas**

To receive a Turkmen entry visa, U.S. citizens with tourist passports must have a letter of invitation from a person or an organization in Turkmenistan stamped by the Ministry of Foreign Affairs (MFA) of Turkmenistan. Usually, the MFA needs ten working days to process a letter of invitation and the fee is USD 20 and USD 30 for urgent requests.

An entry visa may be obtained at Turkmenistan Embassies abroad (cost varies depending on the duration of the visit), or at the Ashgabat airport upon arrival. The visa obtained at the Ashgabat airport costs \$53 and is given for 10 days. This visa can be extended for any period of time up to one year at the MFA for an additional charge. Below is the Turkmen schedule of fees for single entry:

Duration of Visit	Fees for Single Entry:	Fees for Multiple Entry:
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up to 10 days	\$20	
up to 20 days	\$30	
up to 1 month	\$40	\$60
2 months	\$70	\$100
3 months	\$100	\$140
4 months	\$130	\$180
5 months	\$160	\$220
6 months	\$190	\$260
7 months	\$220	\$300
8 months	\$250	\$340
9 months	\$280	\$380
10 months	\$310	\$420
11 months	\$340	\$460
12 months	\$370	\$500

Some Turkmen state and private tourist agencies provide visa support services. Among them are:

State Tourist Corporation "Turkmensiyakhat"  
Mr. Mukhamed Atagarryev, Head of Department (speaks Russian and Turkmen)  
17 Pushkin Street, Ashgabat, Turkmenistan 744000  
Tel:(993)(12) 35-47-77, 39-86-91, Fax:(993)(12) 39-67-40

Latif Co., Ltd., a private tourist firm  
Mr. Djora Samedov, President (speaks Russian and Turkmen)  
36A Hudayberdiev Street, Ashgabat, Turkmenistan 744000  
Tel:(993)(12) 41-50-77, 41-50-87, 41-91-64  
Fax:(993)(12) 41-90-39, 41-91-64  
E-mail: latif@cat.glasnet.ru

ITM Firm, a private commercial firm  
Mrs. Taira Ismailova, Director  
14 T. Berdiev Street, Ashgabat, Turkmenistan 744000  
Tel:(993)(12) 39-73-57, 39-86-88  
Fax:(993)(12) 39-86-88, 51-05-25

In June 1999, Turkmenistan has introduced exit visa requirement for Turkmen citizens traveling to CIS countries and entry visa requirement for citizens of CIS countries visiting Turkmenistan. Letters of invitation are required for both Turkmen and CIS citizens.

## Holidays

January 1	New Year's Day
January 12	Memorial Day
February 19	National Flag Day
March 8	International Women's Day
March 21	Novruz Bairam
May 9	Victory Day
May 18	Revival and Unity Day
October 6	Remembrance Day
October 27-28	Independence Day
December 12	Day of Neutrality

Kurban Bairam is a lunar holiday which moves forward every year. In 1999, Kurban Bairam was celebrated March 27-30.



## **Business Infrastructure**

Turkmenistan is largely a cash-only economy, although several new hotels and restaurants accept credit cards. Only Vnesheconombank accepts VISA cards for cash advances, subject to a service charge. Travelers are advised to bring only new, clean dollar bills with them (1990 and newer). Banks frequently do not have small bills for change. Some local banks and many of the larger hotels will exchange dollars. Dollars are accepted at most hotels and restaurants. However, all other merchants are required by law to accept payment in manat.

Ashgabat is home to numerous first-class hotels and government guest houses offering comfortable rooms, conference and meeting facilities, restaurants, business services, recreational activities, and satellite TV. Four hotels including the Grand Turkmen hotel, the Ak Altyn hotel, the Nissa hotel, and the Turkmenistan hotel accept international reservations. In July 1999 Starwood Hotels and Resorts, Inc., a U.S. company, signed a 10-year management contract with the State Turkmensiyahat Company, to operate two hotels in Ashgabat, the Grand Turkmen Hotel and the Ak Altyn Plaza Hotel. Below are addresses of the hotels located downtown Ashgabat:

Sheraton Grand Turkmen  
7 Gorogly Street  
Ashgabat  
Tel: (993) (12) 51-20-50  
Fax: (993) (12) 51-20-48

Ak Altyn Plaza Hotel  
Pobedy Park, Dzerzhinskiy Blvd.  
Ashgabat  
Tel: (993) (12) 51-21-81  
Fax: (993) (12) 51-21-77

Nissa Hotel  
Turkmenbashi and Atabaev Streets  
Ashgabat  
Tel: (993) (12) 41-66-17, 41-68-75  
Fax: n/a

Turkmenistan  
19 Neutral Turkmenistan Street  
Ashgabat  
Tel: (993) (12) 35-06-30  
Fax: (993) (12) 35-05-33

The Ashgabat Business Center in Berzengi on the outskirts of Ashgabat provides a full range of services and office space. Tel/Fax: (993) (12) 51-85-12.

The Mizan Business Center also located in Berzengi is managed by the Turkish company "Tursen" and can be reached at phone/fax: (993) (12) 51-86-48, 12, 13.

The Emperyal International Business Center located six kilometers from the downtown area is another modern business facilities in the capital city. A restaurant and fast food cafe supplement a range of services provided there. Tel: (993) (12) 35-00-93 or 94, Fax: (993) (12) 35-00-92.

The Transport Center provides office space along with various services. It is located downtown, across from the Teke Bazaar. Tel:(993)(12) 51-01-51, 39-52-69; Fax:(993)(12) 35-54-24.

The Ak Altyn Plaza Hotel has a business center with a range of secretarial services. It is located five kilometers from the downtown area. Tel:(993)(12) 51-21-81; Fax:(993)(12) 51-21-75.

The Khalifa Business Center, a brand new modern building located six kilometers from downtown, also provides a full range of services. Tel:(993)(12)35-01-23, Fax:(993)(12)35-01-14.

The State Turkmentelecom Company offers Internet services in Turkmenistan. The services can be ordered through:

Mr. Batyr Karryev, Director  
10A Seidi Street, Ashgabat, Turkmenistan 744000;  
Tel:(993)(12) 39-87-29  
51-19-13 (application submission)  
51-09-39 (financial issues)  
51-11-79 (technical services)  
Fax:(993)(12) 51-09-39  
E-mail: info@sibnet.tm or fish@sibnet.tm  
<http://www.online.tm/>

Because of the lack of reliable local transportation, visitors and new arrivals may find it convenient to hire a local driver. These drivers are usually relatively inexpensive. Arrangements can be made at the hotels. Taxis are also available in Ashgabat and are inexpensive.

Long distance direct dialing is possible, but expensive. Operator-assisted calls can be made from Turkmenistan to the U.S. The operator usually speaks some English and will be able to put the call through (dial 079). The rate for calls to the U.S. placed through an operator is \$3.90 per minute. Currently, the major hotels are charging from \$8 to \$12 per minute for telephone calls and from \$8 to \$13 for a fax message.

When the U.S. is on daylight savings time, Turkmenistan is nine hours ahead of the U.S. East Coast and 12 hours ahead of the West Coast. When the U.S. is on standard time, Turkmenistan is 10 hours ahead of the East Coast and 13 hours ahead of the West Coast.

Business travelers to Turkmenistan seeking appointments with U.S. Embassy-Ashgabat officials should contact the Commercial Section in advance. The Commercial Section can be reached by telephone at (993)(12) 51-13-06 or by fax at (993)(12) 51-13-05.

### **Work Week**

Turkmenistan observes a Monday to Friday workweek, 9 to 6, with one hour for lunch, but many government officials and businesses regularly work on Saturday.

## **Chapter X: Economic and Trade Statistics**

### **Appendix A: Turkmenistan Data**

#### **Population**

Source of Data: State Statistics Committee of Turkmenistan; January 1995 census and data of January 1, 1999.

Population: 4,993,500

Urban: 2,234,500

Rural: 2,759,000

City of Ashgabat 604,700

Ahal Velayat: 722,800

Lebap Velayat: 1,034,700 including 203,000 in the city of Turkmenabad

Dashoguz Velayat: 1,059,800 including 165,400 in the city of Dashoguz

Balkan Velayat: 424,700 including 108,000 in the city of Nebitdag

Mary Velayat: 1,146,800 including 123,000 in the city of Mary

According to the Census data of 1995, the ethnic breakdown is as follows:

Turkmens	77%
Uzbeks	9.2%
Russians	6.7%
Kazaks	2.0%
Armenians	0.8%
Azeris	0.8%
Tatars	0.8%
Baluchis	0.8%
Ukrainians	0.5%

Other groups include Belorussians, Germans, Jews, Georgians, Moldovans, Uighurs, and Koreans.

### **Population Growth Rate**

According to official statistics, in 1998, population growth amounted to 306,700 people or 6.5%.

### **Religions**

Sunni Islam and Russian Orthodoxy have been officially registered by the GOTX. Smaller communities of Catholics, Seventh Day Adventists, Lutherans, Baptists, and Baha'is also exist, although a December 1996 amendment to the "Law of Turkmenistan on Religious Organizations" limiting registration to organizations that can prove 500 or more adult adherents in each city or locality has made their legal status ambiguous.

There are 223 Moslem mosques (9 in Ashgabat) and 9 Orthodox churches (3 in Ashgabat) operating in Turkmenistan. One Lutheran or Catholic and three Baptist congregations also exist but are not eligible to fully operate without state registration.

### **Government System**

Turkmenistan is a one-party state dominated by the President and his closest advisors within the Cabinet of Ministers. There is no office of Vice President or Prime Minister. A single chamber parliament (Mejlis) approves all legislation. The supreme lawmaking body is the Halk Maslahaty (People's Council) which approves treaties and constitutional amendments.

The country is divided into five regions (velayats) governed by Hakims (governors) appointed by the President. Ashgabat City is governed separately from the surrounding Ahal Velayat. The Hakims (mayors) of the cities are also appointed by the President. Velayats are further divided into etraps, villages, and towns.

## Languages

Turkmen is the official language of Turkmenistan; however, Russian is widely used in government and business. The government has declared that English is to be taught widely, but as yet a very limited number of people in Turkmenistan speak English. For those who seek interpreter services, local free lance interpreters can be arranged via the Commercial Section of the U.S. Embassy-Ashgabat.

## Appendix B: Domestic Economy

1998 statistics are based on Turkmen Government statistics. Since the Turkmen Government has not yet adopted statistical methods commonly employed in the West and by international financial institutions, many of these statistics can be misleading.

	1997	1998	1999(est)
GDP (billion \$\$)	2.0	2.5 x)	2.75
GDP Growth Rate (%%)	-14.2	5 #)	10
GDP per Capita	n/a	n/a	
Government spending as a percentage of GDP	n/a	n/a	
Inflation (%%)	21.5	16.7	20
Unemployment (%%)	n/a	n/a +)	
Foreign exchange reserves (billions of \$\$)	1.28	1.3	1.5
Average exchange rate for \$1	4.165	5,200 !	5,200
Debt service ratio	n/a	n/a	
U.S. economic/military assistance (millions of \$\$)	4.7	3.3	8.8

x) Official government statistics shows GDP equal to 13.2 trillion manats or \$2.5 billion. This figure does not include natural gas production.

#) GDP Growth Rate is assessed in two ways: (1) based on GDP estimated without natural gas production (growth rate is 10%) and (2) based on GDP estimated at comparable prices toward 1997 GDP which includes gas production figures; the 1998 GDP increased 5% toward the 1997 GDP.

+) The Government does not maintain unemployment statistics.

!) There are three exchange rates: the official exchange rate at 5,200 manats against the dollar, the commercial exchange rate at 5,350 manats, and the parallel exchange rate at (in June-August 1999) 14,500-15,000 manats per dollar. The official exchange rate of 5,200 manats is used by state

enterprises for their commercial transactions with foreign partners. Non-governmental commercial transactions are made at the commercial rate.

#### **Appendix C: Trade**

	1997	1998
	(in Millions of USD)	
Total Turkmenistan Exports	751.4	593.9
Total Turkmenistan Imports	1,227.7	980.7
U.S. Exports	88.0	73.0
U.S. Imports	0.8	0.9

According to the National Institute of Statistics and Prognoses, in 1998, Turkmenistan imported from the U.S. such goods as food products, medicine and pharmaceutical products, building materials, chemicals, vehicles and spare parts, rubber, consumer goods, paper and cardboard, tubes, industrial and agricultural equipment and spare parts, printing materials and equipment, telecommunications equipment, electrical generators, geodesical instruments, iron items, garments, perfume, leather and other items. Products exported to the U.S. companies from Turkmenistan included petroleum derivatives, black carbon, carpets, and knitted apparel.

#### **Appendix D: Investment Statistics**

No complete and reliable 1998 statistics on direct foreign investment are available. See some investment statistics in the Investment Climate Statement.

### **Chapter XI: U.S. and Turkmenistan Contacts**

#### **Appendix E: U.S. and Turkmenistan Contacts**

##### **U.S. Embassy Trade Related Contacts:**

Ambassador Steven R. Mann

Mr. David J. Whiddon  
Political/Economic Officer  
E-mail: whiddondj@state.gov

Ms. Irina Begjanova  
Commercial Assistant  
E-mail: begjanovaik@state.gov

Mr. Murl Baker  
U.S. AID Representative  
E-mail: bakermr@state.gov

Mrs. Anjela Begjanova  
Public Affaires Assistant  
E-mail: begjanovaak@state.gov

U.S. Embassy  
9 Pushkin Street

Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-00-37 or 35-00-42  
Fax: (993) (12) 51-13-05

Mr. Parmer Heacox, Acting Director  
U.S. Peace Corps  
31-A Myati Kosaev Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-59-14, 35-04-50  
Fax: (993) (12) 51-12-08

David Morris  
Turkmenistan Desk Officer  
U.S. Department of State  
Washington, D.C. 20520  
Tel: (202) 647-6740  
Fax: (202) 647-3506

Joan Morgan  
International Trade Specialist  
BISNIS  
U.S. Trade Center  
U.S. Department of Commerce  
Stop \*R-BISNIS  
1401 Constitution Avenue, N.W.  
Washington, D.C. 20230  
Tel: (202) 482-4655 or 1-800-USA-TRADE  
Direct Line: (202) 482-2709  
Fax: (202) 482-2293  
E-mail: Joan\_Morgan@ita.doc.gov

Deborah Forhan  
Director  
Caspian Finance Center  
U.S. Embassy  
110 Ataturk Bulvari  
06100 Kavaklidere  
Ankara, Turkey  
Tel: 90 (312) 468-6110, ext. 2075  
Direct. 90 (312) 466-6081  
Fax: 90 (312) 466-6082  
E-mail: dforhan@tda.gov

**Bilateral Business Council:**

U.S. - Turkmenistan Business Association  
805 15<sup>th</sup> Street, N.W. Suite 500  
Washington, D.C. 20005  
Tel: (202) 682-0534  
Fax: (202) 371-6601

**Selected U.S. Government Grantees and Contractors**

Hagler Bailly Consulting Firm  
Krishna Gupta  
Suite 2  
11 Neutral Turkmenistan Street  
Ashgabat, Turkmenistan 744000

Tel/Fax: (993) (12) 35-43-05, 39-29-85  
E-mail: kgupta@cat.glasnet.ru

Booz Allen and Hamilton (Consulting on Economics and Budget Structure)  
Edward Lehan, Group Leader  
Ministry of Economics and Finance  
Room 118  
4 Nurberdy Pomma Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 51-17-47, 51-19-31  
Fax: (993) (12) 51-04-97, 51-11-62  
E-mail: booz@cat.glasnet.ru

American Bar Association/CEELT  
Robert Underwood, Group Leader  
Apartment 2  
104 Makhtumkuli Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 39-71-54

Counterpart Consortium (Non-Government Organizations)  
Rosalie Vasquez  
26 Akademik Petrov Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-71-20  
Fax: (993) (12) 35-71-25  
E-mail: Rosalie@cpart.org

Health Policy Project  
Philip Schrefer  
40 Atabaev Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 41-97-76, 30-45-29  
Fax: (993) (12) 35-26-75

Eurasia Foundation  
Dmitry Shevkun  
20A Komsomolskaya Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 39-36-95  
Fax: (993) (12) 39-06-13  
E-mail: dmitry@icctm.org

Winrock International (Farmer-to-Farmer Program)  
Joe Dale  
16 Kurban Durdy Street  
Ashgabat, Turkmenistan 744000  
Tel/Fax: (993) (12) 51-04-22  
E-mail: joe@winrock.ashgabat.su

Central Asian-American Enterprise Fund (Small and Medium-Size Loans and Investment)  
Paul Hamlin  
2 Pushkin Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-28-75, 35-74-45  
Fax: (993) (12) 39-01-52  
E-mail: paulh@online.tm

International Executive Service Corps  
Batyr Niyazberdiev, Representative  
2 Pushkin Street  
Ashgabat, Turkmenistan 744000  
Tel/Fax: (993) (12) 39-58-17  
E-mail: IES@online.tm

#### **International Organizations**

EBRD  
Jaap Sprey  
95 Azadi Street  
Ashgabat, Turkmenistan 744000  
Tel/Fax: (993) (12) 35-47-00 or 51-22-63

World Bank  
Guljakhan Kurbanova  
40 Atabaev Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 41-97-35, 35-04-77  
Fax: (993) (12) 41-31-56

TICA (Turkish International Cooperation Agency)  
Ferhat Kuchuk Oglu  
17 Neutral Turkmenistan Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 51-03-64, 51-12-36  
Fax: (993) (12) 51-16-39

EU-TACIS  
Boris Smolin  
97 Kemine Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 51-21-17  
Fax: (993) (12) 51-17-21

#### **Turkmenistan Contacts in the U.S.:**

Embassy of Turkmenistan:

Ambassador Halil Ugur

Chary Annaberdiev  
Minister-Counselor  
E-mail: turkmen@dc.infi.net

2207 Massachusetts Ave.  
Washington, D.C. 20008  
Tel: (202) 588-1500  
Fax: (202) 588-0697

#### **Government of Turkmenistan**

Saparmurad Niyazov  
President  
Presidential Palace  
24 Karl Marx Street



Ashgabat, Turkmenistan 744000  
Tel/Fax: (993) (12) 35-45-34, 35-43-88

Rejep Saparov  
Deputy Chairman of the Cabinet of Ministers (Industry, Public Services, and Food Production)  
24 Karl Marx Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-59-15  
Fax: (993) (12) 35-12-51  
Telex: 116201 MEKAN

Yolly Gurbanmuradov  
Deputy Chairman of the Cabinet of Ministers (Oil, Gas and Mineral Resources Industries, and Foreign Investment)  
24 Karl Marx Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-12-98  
Fax: (993) (12) 35-51-12 or 35-30-96

Chairman of Vnesheconombank  
22 Asudalyk Street  
Ashgabat, Turkmenistan 744000  
Tel/Fax: (993) (12) 51-10-70

Director  
State Agency for Foreign Investment  
53 Azadi Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-04-10, 35-04-16  
Fax: (993) (12) 35-04-11, 35-04-15

Rejepbay Arazov  
Executive Director  
Competent Body under the President (oil and gas contract negotiation and licensing)  
53 Pushkin Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-02-30  
Fax: (993) (12) 35-04-15

Serdar Babaev  
Deputy Chairman of the Cabinet of Ministers (Agriculture, Fruit and Vegetable Production and Processing, Agricultural Construction, Bread Production, Cotton Production and Irrigation)  
Cabinet of Ministers  
17 Neutral Turkmenistan Street  
Ashgabat, Turkmenistan 744000  
Tel/Fax: (993) (12) 35-11-34

Djamal Geoklenova  
Deputy Chairman of the Cabinet of Ministers (Textile Industry, Standards Issues, Trade, and Chamber of Commerce)  
17 Neutral Turkmenistan Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 39-88-27  
Fax: (993) (12) 35-12-51

Saparmurat Nuriyev  
Deputy Chairman of the Cabinet of Ministers (Energy and Industry,  
Construction) and Minister of Energy and Industry  
Ministry of Energy and Industry  
6 Nurberdy Pomma Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 51-08-82  
Fax: (993) (12) 39-06-82

Khudayberdy Orazov  
Deputy Chairman of the Cabinet of Ministers (Banking, Monetary and Economics  
Policy)  
Cabinet of Ministers  
17 Neutral Turkmenistan Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-04-74  
Fax: (993) (12) 35-12-51

Hudaykuli Halikov  
Deputy Chairman of the Cabinet of Ministers (Transportation and  
Telecommunications)  
17 Neutral Turkmenistan Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-00-40  
Fax: (993) (12) 35-12-51

Amanmukhamed Ataev, Chairman  
State Commodity and Raw Materials Exchange (CRME)  
111 Makhtumkuli Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-43-21  
Fax: (993) (12) 51-03-04

Arslan Nepesov, Chairman  
Chamber of Commerce and Industry of Turkmenistan  
17 Karryev Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-41-74, 35-45-94, 35-55-94  
Fax: (993) (12) 35-53-81  
E-mail: ccitm@cat.glasnet.ru

**Turkmenistan Market Research Firms:**

SMEDA (Small and Medium Enterprise Development Agency under the EU TACIS  
Program)  
8 Sokolovskaya Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 34-51-49, 34-42-59  
Fax: (993) (12) 34-51-49  
E-mail: [smeda@cat.glasnet.ru](mailto:smeda@cat.glasnet.ru)  
Internet: <http://www.icctm.org/SMEDA>

Arthur Andersen (Auditing and business, tax and outsourcing consulting  
services)  
Donald James, Country Manager  
Transport Center  
2<sup>nd</sup> Floor  
95 Azadi Street

Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 51-24-05  
Fax: (993) (12) 51-24-03  
E-mail: donald.l.james@ru.arthurandersen.com

Ernst & Young (Auditing, accounting, tax and business consulting services)  
Jody Campbell, Director  
Mizan Business Center  
Berzengi, Ashgabat, Turkmenistan 744000  
Tel/Fax: (993) (12) 51-86-47

Mayer, Brown & Platt (Consulting the Government on Oil and Gas issues)  
Nabil L. Khodadad, Partner  
Bucklersbury House  
3, Queen Victoria Street  
London, EC4N 8EL, England  
Tel: (0171) 246-6200  
Fax: (0171) 329-4465  
E-mail: nkhodadad@mayerbrown.com

TBS Consultants (British-Turkish law firm consulting on legal matters)  
Robert Tapp, Lawyer  
Aigozel Meredkulieva, Representative  
2 Pushkin Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-45-08  
Fax: (993) (12) 35-45-17

**Banks:**

Central Bank (National Bank of Turkmenistan)  
Seitbay Kandymov, Chairman  
24 Neutral Turkmenistan Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-61-31  
Fax: (993) (12) 51-03-10 or 51-08-12

Vnesheconombank  
Yolly Gurbanmuradov, Chairman  
22 Asudalyk Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 51-00-70, 35-60-43  
Fax: (993) (12) 39-79-82, 51-00-70

State Commercial Daykhanbank  
Imamdurdy Gandymov, Executive Chairman  
62 Atabaev Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 41-98-73, 41-98-84  
Fax: (993) (12) 39-15-42

State Commercial Bank "Turkmenistan"  
Khalmamed Durdiev, Chairman  
10A Gorgoly Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 51-07-21, 51-07-05  
Fax: (993) (12) 51-02-46

State Commercial Investbank  
Amanmurad Pajae, Chairman  
54 Annadurdyev Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 51-23-06, 51-24-50  
Fax: (993) (12) 51-24-52, 51-24-32

Savings Bank of Turkmenistan  
Begench Baymuhammedov, Chairman  
86 Makhtumkuli Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-46-71 or 39-42-98  
Fax: (993) (12) 35-40-04

Joint Stock Commercial Senagat Bank  
Geldymurad Chapaev, Chairman  
42 Turkmenbashi Street  
Ashgabat, Turkmenistan 744000  
Tel/Fax: (993) (12) 51-05-71

Joint Stock Commercial Bank "Garashsyzlyk"  
Charygeldy Baygeldiev, Chairman  
30-A Shevchenko Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-48-75, 36-26-07, 35-00-96  
Fax: (993) (12) 39-78-92, 51-09-18

International Joint Stock Bank of Turkmenistan for Reconstruction,  
Development and Promotion of Entrepreneurship  
Bekmamed Soltanmamedov, Chairman  
3 Kuliev Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 51-14-57, 47-55-96, 35-22-01  
Fax: (993) (12) 35-38-54

Joint Stock Commercial Obabank  
Berdymurad Geldymuradov, Chairman  
51 Ostrovskiy Street  
Ashgabat, Turkmenistan 744000  
Tel/Fax: (993) (12) 34-69-68

Turkmen-Turkish Bank  
Fahri Verdi, Chairman  
111/2 Makhtumkuli Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 51-04-38, 39-76-32  
Fax: (993) (12) 51-11-23, 51-04-92

Russian-Turkmen Bank "Rossiysky Kredit"  
Batyrbayev, Chairman  
73 Makhtumkuli Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 35-02-22, 35-03-08  
Fax: (993) (12) 35-03-09

Deutsche Bank Representative Office  
Klaus Steinhöfer, Head of Mission  
Room 210, 2<sup>nd</sup> Floor

Office Building  
Regal Ak Altyn Plaza Hotel  
141/1 Makhtumkuli Street  
Ashgabat, Turkmenistan 744000  
Tel: (993) (12) 51-08-23, 24, 25  
Fax: (993) (12) 51-18-66

No U.S. banks operate in Turkmenistan.

### **U.S. Government Agencies**

TPCC Trade Information Center in Washington, D.C.  
Tel: 1-800-USA-TRADE

U.S. Department of State  
Office of Business Affairs  
Tel: (202) 746-1625  
Fax: (202) 647-3953

U.S. Department of Commerce  
Betty Smith, Associate Director  
Tel: (202) 482-5402  
Fax: (202) 482-2456  
E-mail: [betty.smith@mail.doc.gov](mailto:betty.smith@mail.doc.gov)

U.S. Department of Agriculture  
Foreign Agricultural Service  
Trade Assistance and Promotion Office  
Tel: (202) 720-7420

Overseas Private Investment Corporation  
Tel: (202) 336-8799

## **Chapter XII. Trade Events**

### **Appendix F: Trade Event Schedule for 1998-1999**

1. International Trade Show "Ashgabat-99"  
(food, textile, telecommunications, medicine and other sectors)  
Date: October 11-13, 1999  
Organized by: Negus Expo Firm  
Molostovyykh Street, 2-1-4  
Moscow, Russia 11578  
Tel: (095) 286-4925  
Fax: (095) 286-5025 or 300-4771  
and  
CCI  
City: Ashgabat
2. The Fifth Trade Show of Entrepreneurship of Turkmenistan  
Date: October 22-23, 1998  
Organized by: CCI  
City: Ashgabat
3. The Fifth International Oil and Gas Exhibition and Conference  
Date: March 1999  
Organized by: International Trade&Exhibitions (JV) Ltd.  
Byron House, 112A Shirland Road

London, W9 2EQ, UK  
Tel:44(171) 306-0033  
Fax:44(171) 306-0358  
and

CCI  
City: Ashgabat

4. First International Trade Show "Turkmeninfrastructure"  
Date: March 1999  
Organized by: International Trade & Exhibition (JV) Ltd.  
Byron House, 112A Shirland Road  
London, W9 2 EQ, UK  
Tel:44(171) 306-0033  
Fax:44(171) 306-0358
5. The Sixth Trade Show of Entrepreneurship of Turkmenistan  
Date: October, 2000  
Organized by: CCI  
City: Ashgabat

For further information please contact the Chamber of Commerce and Industry of Turkmenistan:

Margarita Akiniyazova (English Speaker)  
Trade Show Coordinator  
17 Batyr Karryev Street  
Ashgabat, Turkmenistan 744000  
Tel:(993)(12) 35-41-74, 35-45-94  
Fax:(993)(12) 35-53-81  
E-mail: ccitm@cat.glasnet.ru